

LOUISIANA HOSPITAL ASSOCIATION

Audit of Consolidated Financial Statements

December 31, 2021



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Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of Louisiana Hospital Association (the Association), which comprise the consolidated statement of financial position as of December 31, 2021, the related consolidated statement of activities and cash flows for the year 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, 2021, and the results of its changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and that 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 Associations' 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 Company'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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Association's financial statements. The 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 Compensation, Benefits, and Other Payments to Agency Head and the Schedule of Expenditures of Federal Awards 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 June 1, 2022 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 handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Metairie, LA
June 1, 2022

LOUISIANA HOSPITAL ASSOCIATION
Consolidated Statement of Financial Position
December 31, 2021

Assets

Cash and Cash Equivalents	\$ 10,846,891
Cash - Restricted, Contracts, and Grants	10,940
Accounts Receivable, Net	2,261,526
Accounts Receivable - Contracts and Grants	293,935
Prepays and Other Assets	269,161
Investment in Affiliate	94,241
Investments	15,369,081
Property and Equipment, Net	<u>1,697,982</u>

Total Assets \$ 30,843,757

Liabilities

Accounts Payable	\$ 30,484
Treasury Payable	480,233
Deferred Revenue	4,937,234
Other Accrued Liabilities	<u>1,131,194</u>

Total Liabilities 6,579,145

Net Assets

Net Assets Without Donor Restrictions	<u>24,264,612</u>
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Total Net Assets 24,264,612

Total Liabilities and Net Assets \$ 30,843,757

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

LOUISIANA HOSPITAL ASSOCIATION
Consolidated Statement of Activities
For the Year Ended December 31, 2021

Revenues, Gains, and Other Support

Institutional Revenue, net	\$ 4,616,320
Non-Institutional Revenue	404,376
Educational Activities, net	338,970
Service Revenue	2,746,652
Investment Return, Net	1,231,778
Grants and Other Contract Revenue	3,793,472
Other Revenue	668,482

Total Revenues, Gains, and Other Support	<u>13,800,050</u>
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Expenses

Program Expenses	
Member Support	4,689,736
Grants and Other Contract Expenses	3,657,125
Supporting Expenses	1,856,398

Total Expenses	<u>10,203,259</u>
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Change in Net Assets	3,596,791
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Increase in Net Assets Without Donor Restrictions

Contribution Received in the Merger of Metropolitan Hospital Council of New Orleans	1,647,846
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Net Assets, Beginning of Year	<u>19,019,975</u>
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Net Assets, End of Year	<u><u>\$ 24,264,612</u></u>
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The accompanying notes are an integral part of these consolidated financial statements.

LOUISIANA HOSPITAL ASSOCIATION
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2021

Cash Flows from Operating Activities	
Change in Net Assets	\$ 3,596,791
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities	
Depreciation	122,211
Equity in Income of Affiliate	(12,439)
Net Realized and Unrealized Gains on Investments	(1,077,187)
Forgiveness of Paycheck Protection Programs Loan	(584,843)
Deferred Tax Benefit	(20)
(Increase) Decrease in Operating Assets	
Cash - Restricted, Contracts and Grants	447,070
Accounts Receivable	975,521
Accounts Receivable - Contracts and Grants	(154,579)
Prepaid and Other Assets	(6,545)
Increase (Decrease) in Operating Liabilities	
Accounts Payable	(454,746)
Treasury Payable	(161,516)
Deferred Revenue	(24,522)
Other Accrued Liabilities	263,736
Net Cash Provided by Operating Activities	<u>2,928,932</u>

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

LOUISIANA HOSPITAL ASSOCIATION
Consolidated Statement of Cash Flows (Continued)
For the Year Ended December 31, 2021

Cash Flows from Investing Activities

Proceeds from Sales of Investments	5,915,126
Purchase of Investments	(7,055,258)
Proceeds from Merger with Metropolitan Hospital Council of New Orleans	2,210,691
Purchases of Property and Equipment	<u>(241,350)</u>

Net Cash Provided by Investing Activities	<u>829,209</u>
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Increase in Cash and Cash Equivalents	3,758,141
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Cash and Cash Equivalents, Beginning of Year	<u>7,088,750</u>
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Cash and Cash Equivalents, End of Year	<u><u>\$ 10,846,891</u></u>
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Supplemental Disclosure of Cash Flow Information

Cash Paid During the Year for Taxes	<u>\$ -</u>
Accounts Receivable Received from Merger with Metropolitan Hospital Council of New Orleans	<u>\$ (158,000)</u>
Investment in Affiliate Received from Merger with Metropolitan Hospital Council of New Orleans	<u>\$ 767,932</u>
Other Liabilities Received from Merger with Metropolitan Hospital Council of New Orleans	<u>\$ 43,660</u>
Net Assets Received from Merger with Metropolitan Hospital Council of New Orleans	<u><u>\$ 653,592</u></u>

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

LOUISIANA HOSPITAL ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements

Note 1. Organization

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)
Louisiana Hospital Association Research and Education 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 Louisiana Hospital Association Management Corporation (LHAMC) and ShareCor, Limited Liability Company (ShareCor). LHAMC is organized as a for-profit entity whose income is taxable. ShareCor, is organized as a for-profit, limited liability taxed as a partnership and is owned by LHA and LHAMC.

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

LHA is a not-for-profit association representing 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. The Foundation was organized for educational and research purposes. The Foundation's board is comprised mainly of members of the board of trustees of LHA.

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 and LHA dues are recognized as revenue in the year covered by the membership dues.

LOUISIANA HOSPITAL ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements

Note 1. Organization (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 Louisiana Hospital Association 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 if 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.

ShareCor 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. ShareCor 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.

LOUISIANA HOSPITAL ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

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.

Fair Values of Financial Instruments

The carrying values of the Association's financial instruments, including current assets and current liabilities, approximate fair value. Under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurement*, 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, *Fair Value Measurement*, 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 quoted prices in markets that are not active 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.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement (see Note 11).

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 Association's measurements of fair value are made on a recurring basis, and their valuation techniques for assets and liabilities recorded at fair value are as follows:

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.

Alternative Investments: One limited partnership investment within alternative investments is 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.

Cash and Cash Equivalents

For purposes of the consolidated statement of financial position and the consolidated statement 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.

Accounts Receivable

As mentioned below, the Association adopted ASU 2014-09. With that, the Association considers most estimated uncollectable accounts as implicit price concessions that are a direct reduction of operating revenues. For the year ended December 31, 2021, the Association reduced Institutional and Educational activities by a nominal amount.

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 statement 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 statement of activities as a component of investment return.

LOUISIANA HOSPITAL ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment are presented in the consolidated statement 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.

Income Taxes

As mentioned in Note 1, the 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 consolidated 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)

Deferred Revenue

The Association invoices its members in advance of providing services. The balance of amounts invoiced in excess of services provided is recognized as deferred revenue on the consolidated statement of financial position. The Association recognizes revenue ratably as services are provided.

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, 2021 all net assets were without donor restrictions.

Revenue Recognition

The Association has adopted Accounting Standards Update (ASU) 2014-09 - *Revenue from Contracts with Customers (Topic 606)*, as amended as management believes the standard improves the usefulness and understandability of the Association's financial reporting. Analysis of various provisions of this standard resulted in no significant changes in the way the Association recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

The majority of the Association's revenue is derived from annual membership dues, registration fees for conferences, seminars and webinars, and cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Revenues are recognized when the Association has incurred expenditures in compliance with specific contract or grant provisions. The Association, in conjunction with its cost-reimbursable federal and state contracts and grants, has recognized revenue of approximately \$119,000 for costs incurred and for which funds have not been received at December 31, 2021. These costs in excess of receipts are recorded as accounts receivable on the consolidated statement of financial position.

LOUISIANA HOSPITAL ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements

In January 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires that a lessee recognize the assets and liabilities that arise from leases classified as finance or operating. A lessee should recognize in the balance sheet a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. ASU 2016-02 is effective for the Association for periods beginning after December 15, 2021. Management does not expect a material impact to its consolidated financial statements upon implementing ASU 2016-02.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This guidance is effective for fiscal years beginning after June 15, 2021. The adoption of ASU 2020-07 is not expected to have a significant impact on the Association's consolidated financial statements.

In 2021, the FASB issued ASU 2021-10, *Government Assistance (Topic 842): Disclosure by Business Entities about Government Assistance*, which is intended to increase transparency in financial reporting by requiring business entities to disclose information about certain types of government assistance. ASU 2021-10 is effective for financial statements issued for annual periods beginning after December 15, 2021. The adoption of ASU 2021-10 is not expected to have an impact on the Company's consolidated financial statements.

Note 3. Restricted Cash

Approximately \$11,000 of cash was restricted as of December 31, 2021 relating to grants and contracts awarded. Corresponding liabilities are included in total within treasury payable on the consolidated statement of financial position.

LOUISIANA HOSPITAL ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements

Note 4. Property and Equipment

Property and equipment consist of the following as of December 31, 2021:

Land	\$	389,406
Buildings		2,602,142
Furniture and Office Equipment		1,478,845
		<u>4,470,393</u>
Less: Allowance for Depreciation and Amortization		<u>2,772,411</u>
Property and Equipment, Net	\$	<u>1,697,982</u>

Depreciation expense was approximately \$122,000 for the year ended December 31, 2021.

Note 5. Investments

The cost and fair values of investments at December 31, 2021, are as follows:

December 31, 2021	Fair Value	Cost
Alternative Investments	\$ 124,673	\$ 48,464
Cash / Money Market	832,238	832,238
Equities	6,608,378	4,682,879
Fixed Income	7,803,792	7,668,810
Total	\$ 15,369,081	\$ 13,232,391

Note 6. 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 year ended December 31, 2021. The Association expensed approximately \$276,000 related to its contributions to the 401(k) retirement plan in 2021.

The Association has a paid time off (PTO) policy, which provides PTO benefits to employees based on classification and length of service. During 2021, 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 \$193,000 as of December 31, 2021, in accordance with the provisions of this policy. The amount accrued is included as a component of other accrued liabilities on the consolidated statement of financial position.

LOUISIANA HOSPITAL ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements

Note 6. Employee Benefit Plan and Other Employee Benefits (Continued)

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 year ended December 31, 2021. These benefits are not payable upon termination or retirement, and therefore are not accrued in accordance with FASB ASC 710.

Note 7. 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 8. Income Taxes and Deferred Income Taxes

For the year ended December 31, 2021, LHAMC's federal and state income estimated tax expense totals approximately \$152,000 which is included within other accrued liabilities on the consolidated statement of financial position and within other expenses on the consolidated statement of activities. LHAMC has net operating losses available for carryforward for the 2021 tax filing of approximately \$83,000 which are available to carryforward to future years for state tax purposes.

On December 22, 2017, the Tax Act was signed into law, which among other items reduces the federal corporate tax rate to 21% from 35%, effective January 1, 2018. U.S. generally accepted accounting principles requires companies to re-measure certain tax-related assets and liabilities as of the date of enactment of the new legislation with resulting tax effects accounted for in the reporting period of enactment.

Management performed an analysis including the re-measurement of their deferred tax assets and liabilities.

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.

LOUISIANA HOSPITAL ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements

Note 9. Leases

The Association leases two copiers under operating leases expiring through April 2022. The terms of these leases include minimum monthly payments of \$2,846.

Minimum future rental payments under non-cancelable operating leases as of December 31, 2021 are as follows:

December 31,	Amount
2022	\$ 11,384
Total	\$ 11,384

The Association's expense for both the lease and maintenance of the above copiers totaled approximately \$41,000 for the year ended December 31, 2021.

Note 10. 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, 2021 and 2020, the Association had approximately \$1,501,000 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.

Note 11. 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, 2021, are as follows:

Assets	Level 1	Level 2	Level 3	Net Balance
Alternative Investments	\$ 50,840	\$ -	\$ 73,833	\$ 124,673
Cash / Money Market	832,238	-	-	832,238
Equities	6,608,378	-	-	6,608,378
Fixed Income	4,981,959	2,790,768	31,065	7,803,792
Total	\$ 12,473,415	\$ 2,790,768	\$ 104,898	\$ 15,369,081

LOUISIANA HOSPITAL ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements

Note 11. Fair Value Measurements (Continued)

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 statement of activities.

Changes in Fair Value Levels

To assess the appropriate classification of investments within the fair value hierarchy, the availability of market data is monitored. Changes in economic conditions or valuation techniques may require the transfer of investments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

The Association evaluates the significance of transfers between levels based upon the nature of the investment and size of the transfer relative to total investment balance. For the year ended December 31, 2021, there were no significant transfers in or out of Level 3.

Note 12. Treasury Payable

The Association is the recipient of various federal and state awards and grants. Treasury payable represents the Association's commitment to provide future services on certain awards and grants.

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 statement of financial position date, comprise the following:

Cash and Cash Equivalents	\$ 10,846,891
Accounts Receivable, Net	2,261,526
Investments	<u>15,369,081</u>
Total	<u>\$ 28,477,498</u>

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.

LOUISIANA HOSPITAL ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements

Note 14. Revenues

The Association recognizes revenue in accordance with ASC Topic 606, *Revenue from Contracts with Customers*, as mentioned in Note 2. Operating revenues are reported at the amount that reflects the consideration the Association expects to be entitled to under their contracts with third parties. The Association's performance obligations are satisfied at a point in time.

The Association is utilizing the portfolio approach practical expedient in ASU 2014-09 for contracts related to operating revenue. The Association accounts for the contracts within each portfolio as a collective group, rather than individual contracts. Each portfolio consists of homogeneous contracts pertaining to a particular revenue stream, which are based on the type of service provided and generally consistent with classifications shown within operating revenues on the statements of income and members' equity. Based on historical collection trends and other analyses, the Association has concluded that revenue for a given portfolio would not be materially different from accounting for revenue on a contract-by-contract basis.

The Association recognizes revenue based on contractual terms, subject to implicit price concessions in accordance with its policy. Price concessions represent differences between contractually based revenues and the estimated consideration the Association expects to receive from third parties, which are determined based on historical collection experience, current market conditions, and other factors. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to operating revenue in the period of the change. The Association did not recognize any adjustments arising from a change in its transaction pricing.

Note 15. Paycheck Protection Program Loan

In April 2020, the Association received loan proceeds under the Paycheck Protection Loan (PPP). The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The balance outstanding on the PPP Loan was approximately \$585,000 at December 31, 2020. During the year ended December 31, 2021, the Small Business Administration (SBA) acknowledged that the Association used the loan proceeds for purposes consistent with the PPP. As such, the loan was forgiven by the SBA in 2021.

Note 16. COVID-19 Coronavirus

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern", and on March 10, 2020, declared it to be a pandemic. Actions continue to be taken to mitigate the impact of the virus however, it is possible that there could be further negative economic impact to the state of Louisiana and the Association. It cannot be projected what that impact could be as of the date of this report.

LOUISIANA HOSPITAL ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements

Note 17. Functional Expenses

The Association serves its member hospitals and health systems as detailed in Note 1. For the year ended December 31, 2021, expenses related to providing these services are as follows:

	Program				
	Member	Grants and			
	Support	Other	Total	Support	Total
		Contract			
Salaries and Benefits	\$ 4,444,195	\$ 362,220	\$ 4,806,415	\$ 87,422	\$ 4,893,837
Grants and Contracts	5,000	2,801,894	2,806,894	416,610	3,223,504
Professional	-	441,078	441,078	-	441,078
Education	240,541	51,933	292,474	-	292,474
General and					
Administrative	-	-	-	686,540	686,540
Building, Office and					
Equipment	-	-	-	543,615	543,615
Depreciation	-	-	-	122,211	122,211
Total	\$ 4,689,736	\$ 3,657,125	\$ 8,346,861	\$ 1,856,398	\$ 10,203,259

Note 18. Merger of Affiliate

The Board of Directors of Metropolitan Hospital Council of New Orleans and its subsidiary Metropolitan Management Corporation deemed it to be in the best interest of each corporation to merge into LHA and LHAMC, respectively. As such a Plan of Merger was executed by both boards, with the merger being effective August 19, 2021. There was no consideration exchanged between LHA and LHAMC. The merger resulted in LHA and LHAMC receiving cash and cash equivalents, accounts receivable, and the ownership percentages that the two corporations held in ShareCor. Liabilities were assumed. The resulting net assets were received without donor restriction. All amounts received and assumed are presented in the consolidated statement of cash flows.

Note 19. Subsequent Events

Management evaluated subsequent events through the date the combined financial statements were available to be issued, June 1, 2022, and determined that no events occurred that require disclosure.

**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**

Independent Auditor's Report

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 combined financial statements of Louisiana Hospital Association and Subsidiary and Louisiana Hospital Association Research and Education Foundation (collectively, the Association), which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statement of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 1, 2022.

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

A Professional Accounting Corporation

Metairie, LA
June 1, 2022

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

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited Louisiana Hospital Association's (the Association's) 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, 2021. 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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Association's major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Association's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Association's compliance.

Opinion on Each Major Federal Program

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, 2021.

Report on Internal Control Over Compliance

Management of the Association is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Foundation's internal control over compliance with types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Association's 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 a 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



A Professional Accounting Corporation

Metairie, LA
June 1, 2022

**LOUISIANA HOSPITAL ASSOCIATION
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021**

Federal Grantor/ Pass-Through Agency/ Program Title (per CFDA)	Federal CFDA Number	Program Name	Total Expenditures
Department of Health and Human Services Assistant Secretary For Preparedness & Response			
National Bioterrorism Hospital Preparedness Program	93.889	LHAREF's COVID-19 Preparedness and Response Activities	\$ 758,908
Passed Through State of Louisiana Department of Health and Hospitals:			
State Rural Hospital Flexibility Program	93.241	FLEX Program	5,000
National Bioterrorism Hospital Preparedness Program	93.889	Hospital Preparedness Program (HHS)	<u>3,769,434</u>
Total Expenditures			<u>\$ 4,533,342</u>

See notes to schedule to expenditures of federal awards.

LOUISIANA HOSPITAL ASSOCIATION

Notes to Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2021

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Louisiana Hospital Association and the Louisiana Hospital Association Research and Education Foundation (collectively, the Association) under programs of the federal government for the year ended December 31, 2021. 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.

Note 2. Summary of Significant Accounting Policies

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 3. Sub-Recipients

Of the federal expenditures presented in the schedule, the Association provided federal awards to sub-recipients as follows:

Program Name	Federal CFDA Number	Amounts Provided to Sub-Recipients
Hospital Preparedness Program (HHS)	93.889	\$ 3,214,213

Note 4. 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 For the Year Ended December 31, 2021

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? | None Reported |
| 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: | |
| <u>CFDA 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? | Yes |

LOUISIANA HOSPITAL ASSOCIATION

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended December 31, 2021**

Part II - Financial Statement Findings

None.

Part III - Findings and Questioned Costs for Federal Awards

None.

LOUISIANA HOSPITAL ASSOCIATION

**Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2021**

None.

LOUISIANA HOSPITAL ASSOCIATION
Schedule of Compensation, Benefits, and Other Payments to
Agency Head or Chief Executive Officer
For the Year Ended December 31, 2021

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.

AGREED-UPON PROCEDURES REPORT

Louisiana Hospital Association

Independent Accountant's Report
On Applying Agreed-Upon Procedures

For the Period January 1, 2021 - December 31, 2021

To the Board of Trustees
Louisiana Hospital Association
And the Louisiana Legislative Auditor

Attention: Patricia Jeter, CFO

We have performed the procedures enumerated below on the Louisiana Hospital Association's (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, 2021 through December 31, 2021. 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, 2021 through December 31, 2021. 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:

Written Policies and Procedures

1. 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:
 - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
 - b) **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.

- c) **Disbursements**, including processing, reviewing, and approving.
- d) **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).
- e) **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.
- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- g) **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).
- h) **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i) **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
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- k) **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.
- l) **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.

Board or Finance Committee

2. 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:
 - a) 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.
 - b) 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.*
 - c) 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.

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

Bank Reconciliations

3. 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:
 - a) 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);
 - b) Bank reconciliations include 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
 - c) 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.

Collections (excluding electronic funds transfers)

4. 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.

5. 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:
 - a) Employees that are responsible for cash collections do not share cash drawers/registers.
 - b) 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.
 - c) 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.
 - d) 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.

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

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 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:
 - a) Observe that receipts are sequentially pre-numbered.
 - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c) Trace the deposit slip total to the actual deposit per the bank statement.
 - d) 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).
 - e) Trace the actual deposit per the bank statement to the general ledger.

Results: Procedures a) through d) not applicable due to all public funds cash collections being electronic fund transfers. No exceptions were found as a result of procedure e).

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

8. 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.

9. For each location selected under #8 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:
 - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b) At least two employees are involved in processing and approving payments to vendors.
 - c) 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.
 - d) 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.

[Note: Exceptions to controls that constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality) should not be reported.]

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

10. For each location selected under #8 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:
- a) 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.
 - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

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

Credit Cards/Debit Cards/Fuel Cards/P-Cards

11. 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: This procedure is not applicable to the Association due to no entity credit cards active during the year.

12. 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:

- a) 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.

[Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]

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

Results: This procedure is not applicable to the Association due to no entity credit cards active during the year.

13. Using the monthly statements or combined statements selected under #12 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: This procedure is not applicable to the Association due to no entity credit cards active during the year.

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

14. 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:

- a) 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).
- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
- c) 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 #1h).
- d) 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.

Contracts

15. 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:

- a) 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.

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

Payroll and Personnel

16. 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.

17. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
 - a) 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.)
 - b) Observe that supervisors approved the attendance and leave of the selected employees or officials.
 - c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
 - d) 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.

18. 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.

19. 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.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 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.

Debt Service

21. 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.

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

22. 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.

Fraud Notice

23. 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.

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

24. 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.

Information Technology Disaster Recovery/Business Continuity

25. Perform the following procedures, verbally discuss the results with management, and report: "We performed the procedure and discussed the results with management."

- a. 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.
- b. 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.
- c. 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.

Sexual Harassment

26. Using the 5 randomly selected employees/officials from procedure #16 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.

27. 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.

28. 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:

- a. Number and percentage of public servants in the agency who have completed the training requirements;
- b. Number of sexual harassment complaints received by the agency;
- c. Number of complaints which resulted in a finding that sexual harassment occurred;
- d. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
- e. 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 Professional Accounting Corporation

Baton Rouge, LA
June 29, 2022