

**LOUISIANA HOSPITAL ASSOCIATION
AND SUBSIDIARY
and
LOUISIANA HOSPITAL ASSOCIATION
RESEARCH AND EDUCATION FOUNDATION**

Audits of Consolidated Financial Statements

December 31, 2018 and 2017



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Independent Auditor's Report

The Board of Trustees
Louisiana Hospital Association and Subsidiary
and Louisiana Hospital Association Research
and Education Foundation

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Louisiana Hospital Association and Subsidiary and Louisiana Hospital Association Research and Education Foundation (collectively, the Association) which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Louisiana Hospital Association and Subsidiary and Louisiana Hospital Association Research and Education Foundation as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating statements of activities as of December 31, 2018 and December 31, 2017, are presented for the purpose of additional analysis and are not a required part of the consolidated 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 consolidated 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 consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated 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 April 2, 2019, on our consideration of Louisiana Hospital Association and Subsidiary and Louisiana Hospital Association Research and Education Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Louisiana Hospital Association and Subsidiary and Louisiana Hospital Association Research and Education Foundation'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 Louisiana Hospital Association and Subsidiary and Louisiana Hospital Association Research and Education Foundation's internal control over financial reporting and compliance.



A Professional Accounting Corporation

Metairie, LA
April 2, 2019

**LOUISIANA HOSPITAL ASSOCIATION AND SUBSIDIARY and
LOUISIANA HOSPITAL ASSOCIATION RESEARCH AND EDUCATION FOUNDATION**
Consolidated Statements of Financial Position
December 31, 2018 and 2017

	2018	2017
Assets		
Cash and Cash Equivalents	\$ 6,001,236	\$ 8,593,391
Cash - Restricted, Contracts, and Grants	517,595	664,944
Accounts Receivable, Net	2,136,295	1,880,220
Accounts Receivable - Contracts and Grants	428,734	356,057
Due from Affiliates	4,380	8,387
Prepays and Other Assets	176,291	172,164
Investment in Affiliate	493,618	661,012
Investments	10,738,295	8,603,527
Property and Equipment, Net	1,523,939	1,597,548
Total Assets	\$ 22,020,383	\$ 22,537,250
Liabilities		
Accounts Payable	\$ 38,533	\$ 21,050
Due to Affiliates	-	429
Treasury Payable	759,567	1,366,754
Deferred Revenue	4,489,251	4,422,309
Other Accrued Liabilities	680,892	676,586
Deferred Tax Liability	85,460	90,021
Total Liabilities	6,053,703	6,577,149
Net Assets		
Net Assets Without Donor Restrictions	15,966,680	15,960,101
Total Net Assets	15,966,680	15,960,101
Total Liabilities and Net Assets	\$ 22,020,383	\$ 22,537,250

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

**LOUISIANA HOSPITAL ASSOCIATION AND SUBSIDIARY and
LOUISIANA HOSPITAL ASSOCIATION RESEARCH AND EDUCATION FOUNDATION
Consolidated Statements of Activities
For the Years Ended December 31, 2018 and 2017**

	2018	2017
Revenues, Gains, and Other Support		
Institutional Revenue	\$ 4,338,864	\$ 4,277,950
Non-Institutional Revenue	236,058	216,407
Educational Activities	997,909	1,009,394
Equity in (Loss) Income of Affiliate	(42,394)	303,750
Investment Return, Net	(347,275)	753,770
Management Fees	389,326	409,460
Direct Contract and Grant Revenue	2,441,346	1,441,489
Indirect Contract and Grant Revenue	195,437	162,381
Other Contract and Grant Revenue	10,000	40,000
Other Revenue	80,925	91,834
Total Revenues, Gains, and Other Support	8,300,196	8,706,435
Expenses		
Program Expenses		
Member Support		
Salaries, Wages, and Benefits	3,492,961	3,346,357
Educational Activities	577,818	576,810
Contract and Grant Expense	3,000	7,000
HHS Grant Expenses		
Salaries, Wages, and Benefits	393,416	414,762
Legal and Professional Fees	178,622	195,446
Other Expenses	1,822	15,627
Conferences	29,706	10,474
Information Technology	794	4,578
Travel	573	794
HIIN Contract Expenses		
Other Expenses	440,248	35,060
Salaries, Wages, and Benefits	391,750	365,837
Legal and Professional Fees	304,926	318,202
Conferences	172,115	44,817
Travel	51,106	35,431
Information Technology	4,660	528
Other Contract and Grant Expenses	153,064	70,726
Supporting Expenses		
Building, Office, and Equipment	465,552	499,824
General and Administrative	300,609	296,242
Travel		
Insurance	64,431	65,556
Legal and Professional Fees	478,819	471,387
Public Relations	430,248	327,896
Other Expenses	152,051	199,422
Bad Debt Expense	74,227	113,594
Depreciation	131,099	126,876
Total Expenses	8,293,617	7,543,246
Change in Net Assets	6,579	1,163,189
Net Assets, Beginning of Year	15,960,101	14,796,912
Net Assets, End of Year	\$ 15,966,680	\$ 15,960,101

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

**LOUISIANA HOSPITAL ASSOCIATION AND SUBSIDIARY and
LOUISIANA HOSPITAL ASSOCIATION RESEARCH AND EDUCATION FOUNDATION
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2018 and 2017**

	2018	2017
Cash Flows Operating Activities		
Change in Net Assets	\$ 6,579	\$ 1,163,189
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	131,099	126,876
Equity in Loss (Income) of Affiliate	42,394	(303,750)
Net Realized and Unrealized Losses (Gains) on Investments	630,172	(617,249)
Bad Debt Expense	74,227	113,594
Deferred Tax Benefit	(4,561)	(34,502)
(Increase) Decrease in Operating Assets		
Cash - Restricted	147,349	(310,268)
Accounts Receivable	(330,302)	83,318
Accounts Receivable - Contracts and Grants	(72,677)	177,339
Due from Affiliates	4,007	(8,351)
Prepaid and Other Assets	(4,127)	1,149,855
Increase (Decrease) in Operating Liabilities		
Accounts Payable	17,483	(6,591)
Due to Affiliates	(429)	(33,571)
Treasury Payable	(607,187)	585,323
Deferred Revenue	66,942	36,297
Other Accrued Liabilities	4,306	325
Net Cash Provided by Operating Activities	105,275	2,121,834
Cash Flows from Investing Activities		
Proceeds from Sales of Investments	5,417,501	2,837,010
Purchase of Investments	(8,182,441)	(2,964,880)
Proceeds from Distributions of Earnings in ShareCor, LLC	125,000	155,943
Purchases of Property and Equipment	(57,490)	(141,933)
Net Cash Used in Investing Activities	(2,697,430)	(113,860)
(Decrease) Increase in Cash and Cash Equivalents	(2,592,155)	2,007,974
Cash and Cash Equivalents, Beginning of Year	8,593,391	6,585,417
Cash and Cash Equivalents, End of Year	\$ 6,001,236	\$ 8,593,391
Supplemental Disclosure of Cash Flow Information		
Cash Paid During the Year for Taxes	\$ 44,200	\$ 26,296

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

**LOUISIANA HOSPITAL ASSOCIATION AND SUBSIDIARY and
LOUISIANA HOSPITAL ASSOCIATION RESEARCH AND EDUCATION FOUNDATION**

Notes to Consolidated Financial Statements

Note 1. Organization

Nature of Activities

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

<u>Corporation</u>	<u>Income Tax Status</u>
Louisiana Hospital Association (LHA)	Exempt-Sec. 501(c)(6)
Louisiana Hospital Association Research and Education Foundation (Foundation)	Exempt-Sec. 501(c)(3)

LHA includes the accounts of its wholly-owned subsidiary, Louisiana Hospital Association Management Corporation (LHAMC). LHAMC is a for-profit entity that sponsors educational programs. Revenue and expenses related to continuing education programs are recognized in the period the programs are presented.

All significant inter-organizational accounts and transactions have been eliminated in the consolidated financial statements.

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.

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 HHS Grant and administration of HIIN Contract.

**LOUISIANA HOSPITAL ASSOCIATION AND SUBSIDIARY and
LOUISIANA HOSPITAL ASSOCIATION RESEARCH AND EDUCATION FOUNDATION**

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies

Basis of Accounting

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

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results may differ from those estimates and such differences may be material to the consolidated financial statements.

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 12).

**LOUISIANA HOSPITAL ASSOCIATION AND SUBSIDIARY and
LOUISIANA HOSPITAL ASSOCIATION RESEARCH AND EDUCATION FOUNDATION**

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (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 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.

Accounts Receivable

The Association establishes an allowance for doubtful accounts based on historical experience and any specific collection issues that have been identified. Uncollectible receivables are written off against the allowance for doubtful accounts when the association determines the allowance will not be collected. As of December 31, 2018 and 2017, the allowance was \$44,426 and \$14,272, respectively.

Investment in Affiliate

LHA and the Metropolitan Hospital Council of New Orleans, Inc. (the Council) formed ShareCor, LLC (a limited liability company) owning 50%, respectively. Subsequently, LHA distributed 25% of its ownership to LHAMC. LHA and LHAMC account for the investment under the equity method.

**LOUISIANA HOSPITAL ASSOCIATION AND SUBSIDIARY and
LOUISIANA HOSPITAL ASSOCIATION RESEARCH AND EDUCATION FOUNDATION**

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Investments

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

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.

Income Taxes

As mentioned in Note 1, the consolidated financial statements include the for-profit entity LHAMC.

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.

**LOUISIANA HOSPITAL ASSOCIATION AND SUBSIDIARY and
LOUISIANA HOSPITAL ASSOCIATION RESEARCH AND EDUCATION FOUNDATION**

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Uncertain Tax Positions (Continued)

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

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 statements 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, 2018 and 2017, all net assets were without donor restrictions.

Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)* to supersede nearly all existing revenue recognition under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity is expected to be entitled for those goods or services. ASU 2014-09 defines a five-step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process under existing U.S. GAAP, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price, and allocating the transaction price to each performance obligation. ASU 2014-09 is effective for the Association's annual reporting period beginning January 1, 2019, and for its interim reporting periods beginning January 1, 2020. The Association may use one of two methods for applying ASU 2014-09: (a) retrospective to each prior reporting period presented with the option to elect certain practical expedients as defined within the scope of ASU 2014-09; or (b) retrospective with the cumulative effect of initially applying ASU 2014-09 recognized at the date of initial application and providing certain additional disclosures as defined within ASU 2014-09. The Association currently anticipates adopting the standard using the retrospective method with the cumulative effect of initially applying ASU 2014-09 recognized as a change in beginning net assets at the date of initial application.

**LOUISIANA HOSPITAL ASSOCIATION AND SUBSIDIARY and
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Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements (Continued)

The Association is utilizing a comprehensive approach to assess the impact of the guidance on each of its operating segments' revenue streams, including assessment of the performance obligations, principal versus agent considerations, and variable considerations. Additionally, the Association is evaluating the impact of the new guidance on disclosures, as well as the impact on controls to support the recognition. Based on the foregoing, the Association does not currently anticipate this standard having a material impact on its consolidated financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, net assets with donor restrictions and net assets without donor restrictions, and expands disclosures about the nature and amount of any donor restrictions. During the year ended December 31, 2018, the Association implemented ASU 2016-14 and has adjusted the presentation in these consolidated financial statements accordingly. The ASU has been applied retrospectively to all periods presented which did not have a material effect on the consolidated financial statement balances for the years ended December 31, 2018 and 2017.

In February 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 will be effective for the Association beginning in the year ending December 31, 2020. Management is currently evaluating the impact ASU 2016-02 will have on the consolidated financial statements.

Reclassifications

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

Note 3. Restricted Cash

Approximately \$518,000 and \$665,000 of cash was restricted as of December 31, 2018 and 2017, respectively, relating to grants and contracts awarded to the Foundation. Corresponding liabilities are included in total within treasury payable on the consolidated statements of financial position.

**LOUISIANA HOSPITAL ASSOCIATION AND SUBSIDIARY and
LOUISIANA HOSPITAL ASSOCIATION RESEARCH AND EDUCATION FOUNDATION**

Notes to Consolidated Financial Statements

Note 4. Property and Equipment

Property and equipment consist of the following as of December 31, 2018 and 2017:

	2018	2017
Land	\$ 389,406	\$ 389,406
Buildings	2,260,379	2,252,445
Furniture and Office Equipment	1,165,783	1,116,227
	<u>3,815,568</u>	<u>3,758,078</u>
Less: Allowance for Depreciation and Amortization	2,291,629	2,160,530
Property and Equipment, Net	<u><u>\$ 1,523,939</u></u>	<u><u>\$ 1,597,548</u></u>

Depreciation expense was \$131,099 and \$126,876 for the years ended December 31, 2018 and 2017, respectively.

Note 5. Investment in Affiliate

The following is pertinent financial information for ShareCor, LLC as of December 31, 2018 and 2017:

	2018	2017
Balance Sheet		
Assets	<u><u>\$ 1,388,595</u></u>	<u><u>\$ 1,662,862</u></u>
Liabilities	\$ 401,359	\$ 340,840
Equity	<u>987,236</u>	<u>1,322,022</u>
	<u><u>\$ 1,388,595</u></u>	<u><u>\$ 1,662,862</u></u>
Income Statement		
Revenues	\$ 912,903	\$ 1,209,209
Expenses	<u>997,690</u>	<u>601,710</u>
Net (Loss) Income	<u>(84,787)</u>	<u>607,499</u>
	<u>50%</u>	<u>50%</u>
LHA's Share of Net (Loss) Income	<u><u>\$ (42,394)</u></u>	<u><u>\$ 303,750</u></u>

**LOUISIANA HOSPITAL ASSOCIATION AND SUBSIDIARY and
LOUISIANA HOSPITAL ASSOCIATION RESEARCH AND EDUCATION FOUNDATION**

Notes to Consolidated Financial Statements

Note 6. Investments

The cost and fair values of investments at December 31, 2018 and 2017, are as follows:

December 31, 2018	Fair Value	Cost
Equities - Banking / Finance	\$ 1,097,367	\$ 1,160,658
Equities - Consumer Products	268,395	269,684
Equities - Energy	173,575	198,567
Equities - Healthcare	261,480	198,519
Equities - Retail	188,380	147,033
Equities - Technology	376,537	331,034
Equities - Other	1,876,056	1,994,693
Fixed Income - U.S. Agency	2,344,437	2,343,575
Fixed Income - U.S. Corporate Bonds	1,853,604	1,871,350
Fixed Income - U.S. Treasury Bonds	403,719	398,830
Fixed Income - Other	834,831	851,464
Money Market Deposits for Reinvesting	578,501	578,501
Mutual Funds - Convertible Equities	36,128	36,271
Mutual Funds - Global Equities	60,925	53,663
Alternative Investments	384,360	398,261
Total	\$ 10,738,295	\$ 10,832,103

December 31, 2017	Fair Value	Cost
Equities - Banking / Finance	\$ 2,448,813	\$ 2,162,736
Equities - Consumer Products	264,813	217,353
Equities - Energy	156,468	167,695
Equities - Healthcare	231,784	183,248
Equities - Retail	291,932	234,225
Equities - Technology	274,329	178,448
Equities - Other	1,266,653	1,052,009
Fixed Income - U.S. Corporate Bonds	1,509,954	1,483,937
Fixed Income - U.S. Treasuries	307,840	298,390
Fixed Income - Other	1,174,350	1,167,482
Money Market Deposits for Reinvesting	303,744	303,744
Mutual Funds - Convertible Equities	38,336	34,493
Mutual Funds - Global Equities	69,447	48,256
Alternative Investments	265,064	249,007
Total	\$ 8,603,527	\$ 7,781,023

**LOUISIANA HOSPITAL ASSOCIATION AND SUBSIDIARY and
LOUISIANA HOSPITAL ASSOCIATION RESEARCH AND EDUCATION FOUNDATION**

Notes to Consolidated Financial Statements

Note 7. Employee Benefit Plan and Other Employee Benefits

LHA sponsors a multiple-employer 401(k) retirement plan. LHA contributed up to 8.5% of each employee's compensation to the 401(k) retirement plan for the years ended December 31, 2018 and 2017, respectively. LHA made contributions of \$189,988 and \$203,506, to the 401(k) retirement plan during 2018 and 2017, respectively.

LHA has a paid time off (PTO) policy, which provides PTO benefits to employees based on classification and length of service. During 2018 and 2017, 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. LHA has accrued \$147,360 and \$138,162, as of December 31, 2018 and 2017, 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, 2018 and 2017, respectively. These benefits are not payable upon termination or retirement, and therefore are not accrued in accordance with FASB ASC 710.

Note 8. 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.

As stated in Note 2, LHA and LHAMC have a combined 50% ownership in ShareCor, LLC. The Council owns the remaining 50%.

LHA provides management and administrative support services to both ShareCor, LLC and the Council. Management fee revenue recorded by LHA from ShareCor totaled \$100,000 and \$125,000 for 2018 and 2017, respectively. Accounting fee revenue recorded by LHA in 2018 and 2017 from ShareCor totaled \$30,000 and \$25,000, respectively. Contract revenue recognized in 2018 and 2017 by LHA from ShareCor totaled \$-0- and \$1,200, respectively. Management fee revenue recorded by LHA from the Council totaled \$220,000 for each of 2018 and 2017. Accounting fee revenue recorded by LHA from the Council totaled \$20,000 for each of 2018 and 2017. Contract revenue recognized in 2018 and 2017 by LHA from the Council totaled \$-0- and \$600, respectively. Management fee revenues, accounting fee revenues and contract revenues are included within management fees on the consolidated statements of activities.

**LOUISIANA HOSPITAL ASSOCIATION AND SUBSIDIARY and
LOUISIANA HOSPITAL ASSOCIATION RESEARCH AND EDUCATION FOUNDATION**

Notes to Consolidated Financial Statements

Note 8. Related Party Transactions (Continued)

As of December 31, 2018 and 2017, the net amount due from ShareCor was \$4,154 and \$6,430, respectively.

In addition to the services provided by LHA to the Council, the Council serves as a regional coordinator under a federal grant program administered by the Association. Payments are passed through the Association to the Council for these services.

As of December 31, 2018 and 2017, the net amount due from the Council was \$229 and \$1,890, respectively. These amounts are included as a component of due from affiliates on the Association's consolidated statements of financial position.

Note 9. Income Taxes and Deferred Income Taxes

LHAMC's deferred tax benefits for the years ended December 31, 2018 and 2017 were \$4,561 and \$34,502, respectively, and are included in other expenses on the Association's consolidated statements of activities.

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. The impact of the Tax Act on LHAMC's 2017 financial results are not necessarily indicative of the results to be achieved for any future periods. The reduced federal corporate tax rate of 21% decreased LHAMC's effective tax rate for financial reporting periods beginning in 2018.

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.

The component of the deferred tax liability is as follows:

	2018	2017
Deferred Tax Liability		
Depreciation	<u>\$ 85,460</u>	<u>\$ 90,021</u>
Net Deferred Tax Liability	<u>\$ 85,460</u>	<u>\$ 90,021</u>

**LOUISIANA HOSPITAL ASSOCIATION AND SUBSIDIARY and
LOUISIANA HOSPITAL ASSOCIATION RESEARCH AND EDUCATION FOUNDATION**

Notes to Consolidated Financial Statements

Note 10. Leases

The Association leases two copiers under operating leases expiring through April 2022. The terms of these leases include minimum monthly payments ranging from \$2,846 to \$2,926.

Minimum future rental payments under non-cancelable operating leases as of December 31, 2018, are as follows:

December 31	Amount
2019	\$ 35,112
2020	35,112
2021	34,473
2022	11,384
Total	\$ 116,081

The Association's expense for both the lease and maintenance of the above copiers totaled \$63,197 and \$69,029, for the years ended December 31, 2018 and 2017, respectively.

Note 11. 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 financial institution. At December 31, 2018 and 2017, the Association had \$3,048,111 and \$2,562,508, 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.

Note 12. 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.

**LOUISIANA HOSPITAL ASSOCIATION AND SUBSIDIARY and
LOUISIANA HOSPITAL ASSOCIATION RESEARCH AND EDUCATION FOUNDATION**

Notes to Consolidated Financial Statements

Note 12. Fair Value Measurements (Continued)

The valuation of the Association's assets and liabilities measured at fair value on a recurring basis at December 31, 2018, are as follows:

Assets	Level 1	Level 2	Level 3	Net Balance
Equities - Banking / Finance	\$ 1,097,367	\$ -	\$ -	\$ 1,097,367
Equities - Consumer Products	268,395	-	-	268,395
Equities - Energy	173,575	-	-	173,575
Equities - Healthcare	261,480	-	-	261,480
Equities - Retail	188,380	-	-	188,380
Equities - Technology	376,537	-	-	376,537
Equities - Other	1,876,056	-	-	1,876,056
Fixed Income - U.S. Agency	647,801	1,696,636	-	2,344,437
Fixed Income - U.S. Corporate Bonds	1,483,246	370,358	-	1,853,604
Fixed Income - U.S. Treasury Bonds	403,719	-	-	403,719
Fixed Income - Other	671,921	162,909	-	834,831
Money Market Deposits for Reinvesting	578,501	-	-	578,501
Mutual Funds - Convertible Equities	36,128	-	-	36,128
Mutual Funds - Global Equities	60,927	-	-	60,928
Alternative Investments	271,678	-	-	271,678
Investments Measured at NAV per Share*	-	-	-	112,682
Total	\$ 8,395,710	\$ 2,229,902	\$ -	\$10,738,295

* Certain investments are measured at fair value using the net asset value per share (or its equivalent) practical expedient and have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

**LOUISIANA HOSPITAL ASSOCIATION AND SUBSIDIARY and
LOUISIANA HOSPITAL ASSOCIATION RESEARCH AND EDUCATION FOUNDATION**

Notes to Consolidated Financial Statements

Note 12. Fair Value Measurements (Continued)

The valuation of the Association's assets and liabilities measured at fair value on a recurring basis at December 31, 2017, are as follows:

Assets	Level 1	Level 2	Level 3	Net Balance
Equities - Banking / Finance	\$ 2,448,813	\$ -	\$ -	\$ 2,448,813
Equities - Consumer Products	264,813	-	-	264,813
Equities - Healthcare	231,784	-	-	231,784
Equities - Energy	156,468	-	-	156,468
Equities - Retail	291,932	-	-	291,932
Equities - Technology	274,329	-	-	274,329
Equities - Other	1,266,653	-	-	1,266,653
Fixed Income - U.S. Corporate Bonds	1,509,954	-	-	1,509,954
Fixed Income - U.S. Treasuries	307,840	-	-	307,840
Fixed Income - U.S. Other	441,997	732,353	-	1,174,350
Mutual Funds - Convertible Equities	38,336	-	-	38,336
Mutual Funds - Global Equities	69,447	-	-	69,447
Money Market Deposits for Reinvesting	303,744	-	-	303,744
Alternative Investments	127,502	-	-	127,502
Investments Measured at NAV per Share*	-	-	-	137,562
Total	\$ 7,733,612	\$ 732,353	\$ -	\$ 8,603,527

* Certain investments are measured at fair value using the net asset value per share (or its equivalent) practical expedient and have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

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.

We evaluate the significance of transfers between levels based upon the nature of the investment and size of the transfer relative to total net assets available for benefits. For the years ended December 31, 2018 and 2017, there were no significant transfers in or out of Level 3.

**LOUISIANA HOSPITAL ASSOCIATION AND SUBSIDIARY and
LOUISIANA HOSPITAL ASSOCIATION RESEARCH AND EDUCATION FOUNDATION**

Notes to Consolidated Financial Statements

Note 13. 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 14. 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:

	2018	2017
Cash and Cash Equivalents	\$ 6,001,236	\$ 8,593,391
Accounts Receivable, Net	2,136,295	1,880,220
Due from Affiliates	4,380	8,387
Investments	10,738,295	8,603,527
Total	\$ 18,880,206	\$ 19,085,525

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

Note 15. Subsequent Events

Management has evaluated subsequent events through the date that the consolidated financial statements were available to be issued April 2, 2019, and determined that no other events occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these consolidated financial statements.

SUPPLEMENTARY INFORMATION

**LOUISIANA HOSPITAL ASSOCIATION AND SUBSIDIARY and
LOUISIANA HOSPITAL ASSOCIATION RESEARCH AND EDUCATION FOUNDATION
Consolidating Statement of Activities
For the Year Ended December 31, 2018**

	Louisiana Hospital Association Consolidated	Louisiana Hospital Association Research and Education Foundation	Eliminations	Combined
Revenues, Gains, and Other Support				
Institutional Revenue	\$ 4,338,864	\$ -	\$ -	\$ 4,338,864
Non-Institutional Revenue	236,058	-	-	236,058
Educational Activities	1,037,909	-	(40,000)	997,909
Equity in Loss of Affiliate	(42,394)	-	-	(42,394)
Investment Return, Net	(341,976)	(5,299)	-	(347,275)
Management Fees	489,326	-	(100,000)	389,326
Direct Contract and Grant Revenue	-	2,441,346	-	2,441,346
Indirect Contract and Grant Revenue	-	195,437	-	195,437
Other Contract and Grant Revenue	-	10,000	-	10,000
Other Revenue	112,925	-	(32,000)	80,925
Total Revenues, Gains, and Other Support	5,830,712	2,641,484	(172,000)	8,300,196
Expenses				
Program Expenses				
Member Support				
Salaries, Wages, and Benefits	3,492,961	-	-	3,492,961
Educational Activities	577,818	-	-	577,818
Contract and Grant Expense	3,000	-	-	3,000
HHS Grant Expenses				
Salaries, Wages, and Benefits	-	393,416	-	393,416
Legal and Professional Fees	-	178,622	-	178,622
Other Expenses	-	1,822	-	1,822
Conferences	-	29,706	-	29,706
Information Technology	-	794	-	794
Travel	-	573	-	573
HIIN Contract Expenses				
Other Expenses	-	440,248	-	440,248
Salaries, Wages, and Benefits	-	391,750	-	391,750
Legal and Professional Fees	-	304,926	-	304,926
Conferences	-	212,115	(40,000)	172,115
Travel	-	51,106	-	51,106
Information Technology	-	4,660	-	4,660
Other Contract and Grant Expenses	-	153,064	-	153,064
Supporting Expenses				
Building, Office, and Equipment	458,993	38,559	(32,000)	465,552
General and Administrative	240,242	60,367	-	300,609
Insurance	54,087	10,344	-	64,431
Legal and Professional Fees	472,121	6,698	-	478,819
Management and Accounting Fees	-	100,000	(100,000)	-
Public Relations	430,248	-	-	430,248
Other Expenses	152,051	-	-	152,051
Bad Debt Expense	74,227	-	-	74,227
Depreciation	123,711	7,388	-	131,099
Total Expenses	6,079,459	2,386,158	(172,000)	8,293,617
Change in Net Assets	\$ (248,747)	\$ 255,326	\$ -	\$ 6,579

See independent auditor's report.

**LOUISIANA HOSPITAL ASSOCIATION AND SUBSIDIARY and
LOUISIANA HOSPITAL ASSOCIATION RESEARCH AND EDUCATION FOUNDATION
Consolidating Statement of Activities
For the Year Ended December 31, 2017**

	Louisiana Hospital Association Consolidated	Louisiana Hospital Association Research and Education Foundation	Eliminations	Combined
Revenues, Gains, and Other Support				
Institutional Revenue	\$ 4,277,950	\$ -	\$ -	\$ 4,277,950
Non-Institutional Revenue	216,407	-	-	216,407
Educational Activities	1,049,394	-	(40,000)	1,009,394
Equity in Income of Affiliate	303,750	-	-	303,750
Investment Return, Net	739,944	13,826	-	753,770
Management Fees	439,460	-	(30,000)	409,460
Direct Contract and Grant Revenue	-	1,441,489	-	1,441,489
Indirect Contract and Grant Revenue	-	162,381	-	162,381
Other Contract and Grant Revenue	-	40,000	-	40,000
Other Revenue	122,221	1,613	(32,000)	91,834
Total Revenues, Gains, and Other Support	7,149,126	1,659,309	(102,000)	8,706,435
Expenses				
Program Expenses				
Member Support				
Salaries, Wages, and Benefits	3,346,357	-	-	3,346,357
Educational Activities	576,810	-	-	576,810
Contract and Grant Expense	7,000	-	-	7,000
HHS Grant Expenses				
Salaries, Wages, and Benefits	-	414,762	-	414,762
Legal and Professional Fees	-	195,446	-	195,446
Conferences	-	15,627	-	15,627
Other Expenses	-	10,474	-	10,474
Travel	-	4,578	-	4,578
Information Technology	-	794	-	794
HIIN Contract Expenses				
Salaries, Wages, and Benefits	-	365,837	-	365,837
Legal and Professional Fees	-	318,202	-	318,202
Conferences	-	44,817	-	44,817
Other Expenses	-	35,060	-	35,060
Travel	-	35,431	-	35,431
Information Technology	-	528	-	528
Other Contract and Grant Expenses	-	110,726	(40,000)	70,726
Supporting Expenses				
Building, Office, and Equipment	492,172	39,652	(32,000)	499,824
General and Administrative	240,076	56,166	-	296,242
Insurance	51,647	13,909	-	65,556
Legal and Professional Fees	460,887	10,500	-	471,387
Management and Accounting Fees	-	30,000	(30,000)	-
Public Relations	327,896	-	-	327,896
Other Expenses	199,422	-	-	199,422
Bad Debt Expense	113,594	-	-	113,594
Depreciation	119,484	7,392	-	126,876
Total Expenses	5,935,345	1,709,901	(102,000)	7,543,246
Change in Net Assets	\$ 1,213,781	\$ (50,592)	\$ -	\$ 1,163,189

See independent auditor's report.

**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
Louisiana Hospital Association and Subsidiary
and Louisiana Hospital Association Research
and Education Foundation

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 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, 2018, and the related consolidated statements 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 April 2, 2019.

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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
April 2, 2019

**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

To the Board of Trustees
Louisiana Hospital Association Research
and Education Foundation

Report on Compliance for Each Major Federal Program

We have audited Louisiana Hospital Association Research and Education Foundation's (the Foundation'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 Foundation's major federal programs for the year ended December 31, 2018. The Foundation'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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Foundation'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 Foundation'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 Foundation's compliance.

Opinion on Each Major Federal Program

In our opinion, Louisiana Hospital Association Research and Education Foundation 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, 2018.

Report on Internal Control Over Compliance

Management of Louisiana Hospital Association Research and Education Foundation 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 Foundation'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.

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

We have audited the consolidated financial statements of Louisiana Hospital Association and Subsidiary and Louisiana Hospital Association Research and Education Foundation as of and for the year ended December 31, 2018, and have issued our report thereon dated April 2, 2019, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompany schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the consolidated 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 consolidated 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 consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

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

A Professional Accounting Corporation

Metairie, LA
April 2, 2019

**LOUISIANA HOSPITAL ASSOCIATION RESEARCH AND
EDUCATION FOUNDATION**
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

Federal Grantor/ Pass-Through Agency/ Program Title (per CFDA)	Federal CFDA Number	Program Name	Total Expenditures
Passed Through State of Louisiana Department of Health and Hospitals:			
State Rural Hospital Flexibility Program	93.241	FLEX Program	\$ 8,000
National Bioterrorism Hospital Preparedness Program	93.889	Hospital Preparedness Program (HHS)	<u>1,953,722</u>
Total Expenditures			<u><u>\$ 1,961,722</u></u>

See notes to schedule to expenditures of federal awards.

LOUISIANA HOSPITAL ASSOCIATION RESEARCH AND EDUCATION FOUNDATION

**Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018**

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Louisiana Hospital Association Research and Education Foundation (the Foundation) under programs of the federal government for the year ended December 31, 2018. 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 Foundation, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Foundation.

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 Foundation provided federal awards to sub-recipients as follows:

Program Name	Federal CFDA Number	Amounts Provided to Sub-Recipients
Hospital Preparedness Program (HHS)	93.889	\$ 1,348,789

Note 4. Indirect Cost Rate

The Foundation 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 RESEARCH AND
EDUCATION FOUNDATION**

**Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2018**

Part I - Summary of Auditor's Results

Financial Statements

- | | | |
|----|--|---------------|
| 1. | Type of auditors' 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 RESEARCH AND
EDUCATION FOUNDATION**

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended December 31, 2018**

Part II - Financial Statement Findings

None.

Part III - Findings and Questioned Costs for Federal Awards

None.

**LOUISIANA HOSPITAL ASSOCIATION RESEARCH AND
EDUCATION FOUNDATION**

**Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2018**

None.

Independent Auditor's Report on Supplementary Information

The Board of Trustees
Louisiana Hospital Association and Subsidiary
and Louisiana Hospital Association Research
and Education Foundation

We have audited the consolidated financial statements of Louisiana Hospital Association and Subsidiary and Louisiana Hospital Association Research and Education Foundation as of and for the years ended December 31, 2018 and 2017, and our report thereon dated April 2, 2018, which contained an unmodified opinion on those consolidated financial statements. Our audits were performed for the purpose of forming an opinion on the consolidated financial statements as a whole.

The accompanying schedule of compensation, benefits, and other payments to agency head is presented for purposes of additional analysis, as required by Louisiana Revised Statute 24:513 A(3), and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits 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 consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and the standards applicable to consolidated financial statement audits contained in *Government Auditing Standards*, issued by the comptroller General of the United States. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



A Professional Accounting Corporation

Metairie, LA
April 2, 2018

**LOUISIANA HOSPITAL ASSOCIATION AND SUBSIDIARY and
 LOUISIANA HOSPITAL ASSOCIATION RESEARCH AND EDUCATION FOUNDATION
 Schedule of Compensation, Benefits, and Other Payments to
 Agency Head
 For the Year Ended December 31, 2018**

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.