

**METROPOLITAN HOSPITAL COUNCIL
OF NEW ORLEANS, INC. AND SUBSIDIARY**

Audits of Consolidated Financial Statements

December 31, 2020 and 2019



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Independent Auditor's Report

To the Board of Directors of
Metropolitan Hospital Council of
New Orleans, Inc. and Subsidiary

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Metropolitan Hospital Council of New Orleans, Inc. and Subsidiary (collectively, the Council), which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, 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 audit 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.

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Metropolitan Hospital Council of New Orleans, Inc. and Subsidiary as of December 31, 2020 and 2019, 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.

Emphasis-of-Matter

The accompanying consolidated financial statements have been prepared assuming the Council will continue as a going concern. As presented in Note 14, the Council approved a proposed merger of its operations. The financial statements do not include any adjustments that might result from the proposed merger. Our opinion is not modified with respect to this matter.

Other Matters*Other Information*

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis 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. 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 a report dated June 10, 2021, on our consideration of Metropolitan Hospital Council of New Orleans, Inc. and Subsidiary'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 solely 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 Metropolitan Hospital Council of New Orleans, Inc. and Subsidiary'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 Metropolitan Hospital Council of New Orleans, Inc. and Subsidiary's internal control over financial reporting and compliance.



A Professional Accounting Corporation

Metairie, LA
June 10, 2021

METROPOLITAN HOSPITAL COUNCIL OF NEW ORLEANS, INC. AND SUBSIDIARY
Consolidated Statements of Financial Position
December 31, 2020 and 2019

| | 2020 | 2019 |
|--|---------------------|---------------------|
| Assets | | |
| Current Assets | | |
| Cash and Cash Equivalents | \$ 1,133,460 | \$ 1,228,499 |
| Prepaid Expenses | 6,339 | 32,020 |
| Due from Affiliates | - | 25 |
| Accounts Receivable | - | 114,781 |
| | <hr/> | <hr/> |
| Total Current Assets | 1,139,799 | 1,375,325 |
| Noncurrent Assets | | |
| Investment in Affiliate | 682,872 | 554,900 |
| Property and Equipment (Net of Accumulated Depreciation of \$-0- in 2020 and \$120,990 in 2019) | - | 6,083 |
| | <hr/> | <hr/> |
| | 682,872 | 560,983 |
| | <hr/> | <hr/> |
| Total Assets | \$ 1,822,671 | \$ 1,936,308 |
| Liabilities and Net Assets | | |
| Current Liabilities | | |
| Accounts Payable and Accrued Expenses | \$ 577 | \$ 37,308 |
| Unearned HHS Grant Revenue | - | 15,793 |
| | <hr/> | <hr/> |
| Total Liabilities | 577 | 53,101 |
| Net Assets Without Donor Restrictions | 1,822,094 | 1,883,207 |
| | <hr/> | <hr/> |
| Total Liabilities and Net Assets | \$ 1,822,671 | \$ 1,936,308 |
| | <hr/> | <hr/> |

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

METROPOLITAN HOSPITAL COUNCIL OF NEW ORLEANS, INC. AND SUBSIDIARY
Consolidated Statements of Activities
For the Years Ended December 31, 2020 and 2019

| | 2020 | 2019 |
|---|---------------------|---------------------|
| Revenues, Gains, and Other Support | | |
| HHS Grant Revenue | \$ 205,290 | \$ 340,688 |
| Membership Dues | - | 273,000 |
| Equity in Income of Affiliate | 227,972 | 61,282 |
| Sponsorship Revenue | 12,500 | 25,000 |
| Other Revenue | 7,154 | 15,403 |
| Management Fees | 11,400 | 11,400 |
| Investment Return, Net | 3,391 | 4,695 |
| Total Revenues, Gains, and Other Support | \$ 467,707 | \$ 731,468 |
| Expenses | | |
| Program Expenses | | |
| HHS Grants | \$ 205,290 | \$ 340,816 |
| Management Fees | 201,007 | 220,041 |
| Supporting Expenses | | |
| Professional Fees and Advocacy Expenses | 35,180 | 31,126 |
| Office and Other Expenses | 30,915 | 28,908 |
| Rent | 29,236 | 28,753 |
| Federal/State Taxes | 22,649 | 5,741 |
| Travel and Meetings | 2,850 | 5,493 |
| Depreciation | 1,693 | 2,641 |
| Total Expenses | 528,820 | 663,519 |
| Change in Net Assets | (61,113) | 67,949 |
| Net Assets, Beginning of Year | 1,883,207 | 1,815,258 |
| Net Assets, End of Year | \$ 1,822,094 | \$ 1,883,207 |

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

METROPOLITAN HOSPITAL COUNCIL OF NEW ORLEANS, INC. AND SUBSIDIARY
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019

| | 2020 | 2019 |
|---|---------------------|---------------------|
| Cash Flows from Operating Activities | | |
| Change in Net Assets | \$ (61,113) | \$ 67,949 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities | | |
| Equity in Income of Affiliate | (227,972) | (61,282) |
| Loss on Sale of Asset | 4,140 | - |
| Depreciation | 1,693 | 2,641 |
| Decrease in Assets | | |
| Accounts Receivable | 114,781 | 71,157 |
| Prepaid Expenses | 25,681 | 2,112 |
| Due from Affiliates | 25 | 35 |
| Decrease in Liabilities | | |
| Accounts Payable and Accrued Expenses | (36,731) | (88,921) |
| Unearned HHS Grant Revenue | (15,793) | (254,688) |
| Net Cash Used in Operating Activities | (195,289) | (260,997) |
| Cash Flows from Investing Activities | | |
| Proceeds from Distribution of Earnings in Affiliate | 100,000 | - |
| Purchase of Property and Equipment | - | (2,200) |
| Proceeds from the Sale of Property and Equipment | 250 | - |
| Net Cash Provided by (Used in) Investing Activities | 100,250 | (2,200) |
| Decrease in Cash and Cash Equivalents | (95,039) | (263,197) |
| Cash and Cash Equivalents, Beginning of Year | 1,228,499 | 1,491,696 |
| Cash and Cash Equivalents, End of Year | \$ 1,133,460 | \$ 1,228,499 |
| Supplemental Disclosure of Cash Flow Information | | |
| Cash Paid During the Year for Taxes | \$ 4,000 | \$ - |

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

METROPOLITAN HOSPITAL COUNCIL OF NEW ORLEANS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies

Nature of Activities

Metropolitan Hospital Council of New Orleans, Inc. (MHCNO) was established and formally incorporated as a non-profit corporation in 1977. MHCNO was formed to strengthen its member hospitals in the New Orleans metropolitan area by providing a forum for attaining common goals, by supporting the provision of efficient, quality healthcare, and by serving as the recognized source of information for the hospital industry and its various publics. MHCNO represents member hospitals before health organizations, regulatory agencies, business groups, and the media. MHCNO sponsors educational seminars on current healthcare issues and collects operational data on participating hospitals.

Metropolitan Management Corporation (MMC) was formed on July 1, 2003, as a wholly-owned for-profit subsidiary of MHCNO, and is subject to both Federal and State income taxes. MMC's principal business activity is the sponsorship of educational programs. Revenue and expenses related to continuing education programs are recognized in the period the programs are presented.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of MHCNO and those of MMC, collectively, the Council. All significant inter-organizational accounts and transactions have been eliminated in the consolidated financial statements.

Basis of Accounting

The Council prepares its consolidated financial statements in accordance with generally accepted accounting principles, involving the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Cash and Cash Equivalents

Cash equivalents are short-term (maturities of 90 days or less), highly liquid investments, both readily convertible to known amounts of cash and not subject to significant changes in value because of changes in interest rates.

Investments in Affiliates

Investments in affiliated companies are accounted for by the equity method of accounting under which the Council's share of the net income of the affiliated companies is recognized as income in the Council's consolidated statements of activities and added to the investment account. Dividends and distributions received from the affiliated companies are treated as a reduction of the investment account.

METROPOLITAN HOSPITAL COUNCIL OF NEW ORLEANS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Investments in Affiliates (Continued)

MHCNO directly owns 30% of the units of membership of ShareCor, LLC (ShareCor). MHCNO's wholly-owned subsidiary, MMC, directly owns 20% of the units of membership of ShareCor. Accordingly, these consolidated financial statements reflect a total investment in 50% of the equity of ShareCor. The remaining 50% ownership interest in ShareCor is held by the Louisiana Hospital Association (LHA) and its subsidiary.

Accounts Receivable

The Council considers accounts receivable to be fully collectible. The Council adopted Accounting Standards Update (ASU) 2014-09. As such, any amounts deemed uncollectible are considered an implicit price concession resulting in a direct reduction to operating revenues.

Property and Equipment

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

| | |
|------------------------|-------------------|
| Furniture and Fixtures | 10 Years |
| Office Equipment | 3 - 8 Years |
| Leasehold Improvements | Life of the Lease |

Additions, improvements, renewals, and expenditures for maintenance that add materially to the productive capacity or extend the life of an asset 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 in other revenues.

Income Taxes

As mentioned above, the consolidated financial statements include the for-profit corporation MMC. Income taxes are calculated based on the tax effects of MMC transactions reported in the consolidated financial statements. The provision on the consolidated statements of activities consists of taxes currently due plus any provision for deferred taxes, which could result from different reporting methods for the consolidated financial statements versus the tax returns, when applicable. Such differences were insignificant as of December 31, 2020 and 2019, and accordingly, no deferred tax provision has been recorded to date.

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 Council 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 operating expenses.

METROPOLITAN HOSPITAL COUNCIL OF NEW ORLEANS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the Council 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, 2020 and 2019, all net assets were without donor restrictions.

Functional Expenses

In accordance with the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic, *Not-for-Profit Entities*, the Council is required to provide information about expenses reported by their functional classification. For classification purposes, the Council considers management fees, Health & Human Services (HHS) grant expenses, contributions, and professional and education expenses as program expenses. Salaries and benefits of any and all employees are included in the consolidated financial statements as a component of management fees and HHS grant expenses. For the years ended December 31, 2020 and 2019, program expenses were approximately 85% and 87%, respectively, of the total expenses of the Council.

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 will be effective for the Council for periods beginning after December 15, 2021. Management does not expect a material impact to its financial statements upon implementing ASU 2016-02.

METROPOLITAN HOSPITAL COUNCIL OF NEW ORLEANS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

Note 2. Property and Equipment

A summary of property and equipment are as follows as of December 31, 2020 and 2019:

| | 2020 | 2019 |
|--------------------------------|-------------|-----------------|
| Furniture and Fixtures | \$ - | \$ 15,457 |
| Office Equipment | - | 92,954 |
| Leasehold Improvements | - | 18,662 |
| | - | 127,073 |
| Less: Accumulated Depreciation | - | 120,990 |
| Total | \$ - | \$ 6,083 |

Depreciation expense was \$1,693 and \$2,641 for the years ended December 31, 2020 and 2019, respectively.

As described in Note 14, there is a planned merger into LHA in 2021. In preparation, the Council disposed of its property and equipment.

Note 3. Investment in Affiliate

The pertinent financial information for ShareCor, LLC as of December 31, 2020 and 2019 is as follows:

| | 2020 | 2019 |
|--------------------------------------|---------------------|---------------------|
| Balance Sheet | | |
| Assets | \$ 1,762,808 | \$ 2,214,788 |
| Liabilities | \$ 397,064 | \$ 1,104,992 |
| Equity | 1,365,744 | 1,109,796 |
| | \$ 1,762,808 | \$ 2,214,788 |
| Income Statement | | |
| Revenues | \$ 1,165,067 | \$ 943,927 |
| Expenses | 709,123 | 821,363 |
| Net Income | 455,944 | 122,564 |
| | 50% | 50% |
| Council's Share of Net Income | \$ 227,972 | \$ 61,282 |

METROPOLITAN HOSPITAL COUNCIL OF NEW ORLEANS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

Note 4. Employee Benefit Plan

The Council participates in a multiple-employer 401(k) retirement plan with LHA. The Council contributed up to 8.5% of each employee's compensation to the 401(k) retirement plan for the years ended December 31, 2020 and 2019. The Council made contributions of \$920 and \$1,329 to the 401(k) retirement plan during the years ended December 31, 2020 and 2019, respectively.

Note 5. Compensated Absences and Post-Employment Benefits

In addition to salaries and wages accrued in the normal course of operations, the Council adopted a Paid Time Off (PTO) policy effective January 1, 2003. The policy provides PTO benefits based on classification and length of service. During 2020 and 2019, employees were allowed to carry over a maximum of seventy-five percent of their total current annual PTO earnings. Upon termination of employment or retirement, their unused PTO benefits are payable at a maximum amount equal to seventy-five percent of the total current annual PTO earning capacity. The Council has accrued \$0- and \$5,185 as of December 31, 2020 and 2019, respectively, in accordance with the provisions of this policy. The amount accrued is included as a component of accounts payable and accrued expenses.

The Council provides extended illness benefits to employees based on a predetermined accrued hourly amount per payroll period. An extended illness 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, 2020 and 2019. These benefits are not payable upon termination or retirement, and therefore are not accrued in accordance with FASB ASC 710.

Note 6. Related-Party Transactions

The Council performs services, conducts educational programs, 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 members.

As stated in Note 1, MHCNO and MMC have a combined 50% ownership in ShareCor, LLC. LHA owns the remaining 50%.

The Council provides management and support services to ShareCor. The Council received \$11,400 in management fee revenue from ShareCor for both years ended December 31, 2020 and 2019. ShareCor pays the Council for its use of shared office space, equipment, and supplies of the Council. For both years ended December 31, 2020 and 2019, ShareCor reimbursed the Council for these expenses in the amount of approximately \$27,000. Certain other operating costs incurred by the Council are directly reimbursed by ShareCor and are recorded as receivables until received.

METROPOLITAN HOSPITAL COUNCIL OF NEW ORLEANS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

Note 6. Related-Party Transactions (Continued)

ShareCor is a contributor to the Council's activities, by way of an annual sponsorship fee, as reflected on the consolidated statements of activities for each of the years ended December 31, 2020 and 2019, in the amount of \$12,500 and \$25,000, respectively.

LHA provides management and administrative support to the Council. The Council incurred management fees to LHA of \$201,007 and \$220,041, for the years ended December 31, 2020 and 2019, respectively. The Council also incurred fees for accounting services. For each the years ended December 31, 2020 and 2019, accounting fees were \$21,000. These expenses are categorized within professional fees and advocacy expenses on the consolidated statements of activities.

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 LHA. Payments are passed through LHA to the Council for these services.

As of December 31, 2020 and 2019, the net amount due to LHA totaled \$-0-.

Note 7. Leases

The Council leases office space under an operating lease. Rental expense under the operating lease for each of the years ended December 31, 2020 and 2019 totaled \$53,781 and \$53,298, respectively; however, as mentioned in Note 6, ShareCor reimbursed the Council for its share of the use of office space. The amount received from ShareCor was netted against the expense for a net total of \$29,236 and \$28,753 for the years ended December 31, 2020 and 2019, respectively. The Council's lease of its office space terminated in December 2020.

Note 8. Credit Risks and Other Concentrations

Concentration of Credit Risk

The Council utilizes insured cash sweep accounts to mitigate the risk of uninsured deposits; however, there were approximately \$78,000 of deposits with a major financial institution in excess of federally insured limits. The Council has not experienced any losses and does not believe that significant credit risk exists as a result.

METROPOLITAN HOSPITAL COUNCIL OF NEW ORLEANS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

Note 9. Income Tax Expense

Income tax expense, principally associated with the operations of MMC, consisted of the following for the years ended December 31, 2020 and 2019:

| | 2020 | 2019 |
|--------------|------------------|-----------------|
| Current | | |
| Federal | \$ 18,199 | \$ 4,990 |
| State | 4,450 | 751 |
| Total | \$ 22,649 | \$ 5,741 |

Deferred taxes arising from temporary differences in the basis of assets and liabilities for financial reporting and income tax purposes were not significant and, accordingly, no provision for deferred tax expense or benefit has been included in the preparation of these consolidated financial statements.

MMC's effective tax rate is different than what would be expected if the statutory rates were applied to net income before income taxes, primarily because of expenses deductible for financial reporting purposes that are not deductible for tax purposes.

MMC's tax payments in excess of amounts owed total approximately \$2,700 and \$20,000 at December 31, 2020 and 2019, respectively. These amounts are included in prepaid expenses.

Note 10. Health & Human Services (HHS) Hospital Preparedness Program

The Council has been engaged in three separate agreements with LHA to provide services for the Hospital Preparedness Program. Each agreement covers a 12-month period, expiring in various months based on the respective effective date of the agreement. The Council recognizes the revenues associated with these contracts as they are earned and the expenses as they are incurred. Funds received in excess of revenue earned are recorded as unearned revenue in the consolidated statements of financial position. At December 31, 2020 and 2019, the Council has deferred revenue of \$-0- and \$15,432, respectively.

METROPOLITAN HOSPITAL COUNCIL OF NEW ORLEANS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

Note 11. 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:

| | 2020 | 2019 |
|---------------------------|---------------------|---------------------|
| Cash and Cash Equivalents | \$ 1,133,460 | \$ 1,228,499 |
| Due from Affiliates | - | 25 |
| Accounts Receivable | - | 114,781 |
| Total | \$ 1,133,460 | \$ 1,343,305 |

As part of the Council's liquidity management plan, the Council maintains balances in excess of daily requirements in sweep accounts.

Note 12. Revenues

The Council recognizes revenue in accordance with ASC *Topic 606, Revenue from Contracts with Customers*. Operating revenues are reported at the amount that reflects the consideration the Council expects to be entitled to under their contracts with third parties. The Council's performance obligations are satisfied over the course of the calendar year.

The Council is utilizing the portfolio approach practical expedient in ASU 2014-09 for contracts related to operating revenue. The Council 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 activities and changes in net assets. Based on historical collection trends and other analyses, the Council has concluded that revenue for a given portfolio would not be materially different from accounting for revenue on a contract-by-contract basis.

The Council 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 Council 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 Council did not recognize any adjustments arising from a change in its transaction pricing.

METROPOLITAN HOSPITAL COUNCIL OF NEW ORLEANS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

Note 13. Risks and Uncertainties

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 Council. It cannot be projected what that impact could be as of the date of this report.

Note 14. Emphasis of Matter

In June 2020, the Board approved a proposed merger of the Council into LHA. The Board's directed the staff to move forward with statutory requirements to effectuate the merger. As of the date of this report, the merger has not been accepted and approved by the LHA Board. The financial statements of the Council have been prepared with the expectation of it continuing as a going concern.

Note 15. Subsequent Events

Management has evaluated subsequent events through the date that the consolidated financial statements were available to be issued, June 10, 2021. No events were identified that required adjustment to or disclosure within the consolidated financial statements.

**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

To the Board of Directors of
Metropolitan Hospital Council of
New Orleans, Inc. and Subsidiary

We have audited, 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, the consolidated financial statements of Metropolitan Hospital Council of New Orleans, Inc. and Subsidiary (the Council), which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities and cash flows for the year ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 10, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Council's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council'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 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 Council's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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



A Professional Accounting Corporation

Metairie, LA
June 10, 2021

METROPOLITAN HOSPITAL COUNCIL OF NEW ORLEANS, INC. AND SUBSIDIARY
Schedule of Findings and Responses
For the Year Ended December 31, 2020

No findings noted in current year or prior year.

SUPPLEMENTARY INFORMATION

METROPOLITAN HOSPITAL COUNCIL OF NEW ORLEANS, INC AND SUBSIDIARY
Consolidating Statement of Financial Position
December 31, 2020

| | MHCNO | MMC | Eliminating Entries | Consolidated |
|---|---------------------|-------------------|--------------------------------|---------------------|
| Assets | | | | |
| Cash and Cash Equivalents | \$ 808,362 | \$ 325,098 | \$ - | \$ 1,133,460 |
| Prepaid Expenses | 3,685 | 2,654 | - | 6,339 |
| Due from Affiliates | - | - | - | - |
| Accounts Receivable | - | - | - | - |
| Investment in Affiliate | 429,723 | 253,149 | - | 682,872 |
| Investment in Metropolitan Management Corporation | 580,901 | - | (580,901) | - |
| Property and Equipment, Net | - | - | - | - |
| Total Assets | \$ 1,822,671 | \$ 580,901 | \$ (580,901) | \$ 1,822,671 |
| Liabilities | | | | |
| Accounts Payable and Accrued Expenses | \$ 577 | \$ - | \$ - | \$ 577 |
| Unearned HHS Grant Revenue | - | - | - | - |
| Total Liabilities | 577 | - | - | 577 |
| Net Assets Without Donor Restrictions | 1,822,094 | 580,901 | (580,901) | 1,822,094 |
| Total Liabilities and Net Assets | \$ 1,822,671 | \$ 580,901 | \$ (580,901) | \$ 1,822,671 |

See independent auditor's report.

METROPOLITAN HOSPITAL COUNCIL OF NEW ORLEANS, INC AND SUBSIDIARY
Consolidating Statement of Financial Position
December 31, 2019

| | MHCNO | MMC | Eliminating Entries | Consolidated |
|---|---------------------|-------------------|------------------------|---------------------|
| Assets | | | | |
| Cash and Cash Equivalents | \$ 938,417 | \$ 290,082 | \$ - | \$ 1,228,499 |
| Prepaid Expenses | 11,624 | 20,396 | - | 32,020 |
| Due from Affiliates | 25 | - | - | 25 |
| Accounts Receivable | 114,781 | - | - | 114,781 |
| Investment in Affiliate | 352,940 | 201,960 | - | 554,900 |
| Investment in Metropolitan Management Corporation | 512,438 | - | (512,438) | - |
| Property and Equipment, Net | 6,083 | - | - | 6,083 |
| Total Assets | \$ 1,936,308 | \$ 512,438 | \$ (512,438) | \$ 1,936,308 |
| Liabilities | | | | |
| Accounts Payable and Accrued Expenses | \$ 37,308 | \$ - | \$ - | \$ 37,308 |
| Unearned HHS Grant Revenue | 15,793 | - | - | 15,793 |
| Total Liabilities | 53,101 | - | - | 53,101 |
| Net Assets Without Donor Restrictions | 1,883,207 | 512,438 | (512,438) | 1,883,207 |
| Total Liabilities and Net Assets | \$ 1,936,308 | \$ 512,438 | \$ (512,438) | \$ 1,936,308 |

See independent auditor's report.

METROPOLITAN HOSPITAL COUNCIL OF NEW ORLEANS, INC AND SUBSIDIARY
Consolidating Statement of Activities
For the Year Ended December 31, 2020

| | MHCNO | MMC | Eliminating Entries | Consolidated |
|--|---------------------|-------------------|------------------------|---------------------|
| Revenues, Gains, and Other Support | | | | |
| HHS Grant Revenue | \$ 205,290 | \$ - | \$ - | \$ 205,290 |
| Membership Dues | - | - | - | - |
| Equity in Income of Metropolitan Management Corporation | 68,463 | - | (68,463) | - |
| Equity in Income of Affiliate | 136,783 | 91,189 | - | 227,972 |
| Sponsorship Revenue | 12,500 | - | - | 12,500 |
| Other Revenue | 7,154 | - | - | 7,154 |
| Management Fees | 11,400 | - | - | 11,400 |
| Investment Return, Net | 3,391 | - | - | 3,391 |
| Education Program | - | - | - | - |
| Total Revenues, Gains (Losses), and Other Support | 444,981 | 91,189 | (68,463) | 467,707 |
| Expenses | | | | |
| Program Expenses | | | | |
| HHS Grants | 205,290 | - | - | 205,290 |
| Contributions | - | - | - | - |
| Education Fees | - | - | - | - |
| Management Fees | 201,007 | - | - | 201,007 |
| Supporting Expenses | | | | |
| Professional Fees and Advocacy Expenses | 35,180 | - | - | 35,180 |
| Office and Other Expenses | 30,838 | 77 | - | 30,915 |
| Rent | 29,236 | - | - | 29,236 |
| Federal/State Taxes | - | 22,649 | - | 22,649 |
| Travel and Meetings | 2,850 | - | - | 2,850 |
| Depreciation | 1,693 | - | - | 1,693 |
| Bad Debt Expense | - | - | - | - |
| Total Expenses | 506,094 | 22,726 | - | 528,820 |
| Change in Net Assets | (61,113) | 68,463 | (68,463) | (61,113) |
| Net Assets, Beginning of Year | 1,883,207 | 512,438 | (512,438) | 1,883,207 |
| Net Assets, End of Year | \$ 1,822,094 | \$ 580,901 | \$ (580,901) | \$ 1,822,094 |

See independent auditor's report.

METROPOLITAN HOSPITAL COUNCIL OF NEW ORLEANS, INC AND SUBSIDIARY
Consolidating Statement of Activities
For the Year Ended December 31, 2019

| | MHCNO | MMC | Eliminating Entries | Consolidated |
|--|---------------------|-------------------|------------------------|---------------------|
| Revenues, Gains, and Other Support | | | | |
| HHS Grant Revenue | \$ 340,688 | \$ - | \$ - | \$ 340,688 |
| Membership Dues | 273,000 | - | - | 273,000 |
| Equity in Income of Metropolitan Management Corporation | 18,772 | - | (18,772) | - |
| Equity in Income of Affiliate | 36,769 | 24,513 | - | 61,282 |
| Sponsorship Revenue | 25,000 | - | - | 25,000 |
| Other Revenue | 15,403 | - | - | 15,403 |
| Management Fees | 11,400 | - | - | 11,400 |
| Investment Return, Net | 4,695 | - | - | 4,695 |
| Education Program | - | - | - | - |
| Total Revenues, Gains (Losses), and Other Support | 725,727 | 24,513 | (18,772) | 731,468 |
| Expenses | | | | |
| Program Expenses | | | | |
| HHS Grants | 340,816 | - | - | 340,816 |
| Contributions | - | - | - | - |
| Education Fees | - | - | - | - |
| Management Fees | 220,041 | - | - | 220,041 |
| Supporting Expenses | | | | |
| Professional Fees and Advocacy Expenses | 31,126 | - | - | 31,126 |
| Office and Other Expenses | 28,908 | - | - | 28,908 |
| Rent | 28,753 | - | - | 28,753 |
| Federal/State Taxes | - | 5,741 | - | 5,741 |
| Travel and Meetings | 5,493 | - | - | 5,493 |
| Depreciation | 2,641 | - | - | 2,641 |
| Bad Debt Expense | - | - | - | - |
| Total Expenses | 657,778 | 5,741 | - | 663,519 |
| Change in Net Assets | 67,949 | 18,772 | (18,772) | 67,949 |
| Net Assets, Beginning of Year | 1,815,258 | 493,666 | (493,666) | 1,815,258 |
| Net Assets, End of Year | \$ 1,883,207 | \$ 512,438 | \$ (512,438) | \$ 1,883,207 |

See independent auditor's report.

Independent Auditor's Report on the Supplementary Information

To the Board of Directors of
Metropolitan Hospital Council of
New Orleans and Subsidiary

We have audited the consolidated financial statements of Metropolitan Hospital Council of New Orleans and Subsidiary as of and for the years ended December 31, 2020 and 2019, and our report thereon dated June 10, 2021, which expressed an unmodified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. We have not performed any procedures with respect to the audited financial statements subsequent to June 10, 2021.

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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and the standards applicable to 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 financial statements as a whole.



A Professional Accounting Corporation

Metairie, LA
June 10, 2021

METROPOLITAN HOSPITAL COUNCIL OF NEW ORLEANS, INC. AND SUBSIDIARY
Schedule of Compensation, Benefits, and Other Payments to
Agency Head
For the Year Ended December 31, 2020

Agency Head

Jennifer McMahon, Executive Director

| 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.