

**Louisiana Housing Council, Inc.**  
**Benefits Plan**  
**Baton Rouge, Louisiana**  
**March 31, 2023**

## Table of Contents

Independent Auditor's Report	Page 3
Management's Discussion and Analysis	Page 6
Basic Financial Statements	
Statement of Net Position	Page 8
Statement of Revenues, Expenses, and Change in Net Position	Page 9
Statement of Cash Flows	Page 10
Notes to Financial Statements	Page 11
Required Supplementary Information	
Schedule 1 - 10 Year Claims Development Information	Page 19
Supplementary Information	
Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer	Page 21
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	Page 22
Schedule of Findings and Responses	Page 24
Summary Schedule of Prior Audit Findings	Page 27



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## **Independent Auditor's Report**

LHC Insurance Committee  
Louisiana Housing Council, Inc.  
Benefits Plan  
Baton Rouge, Louisiana

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of Louisiana Housing Council, Inc. Benefits Plan, which comprise the statement of net position as of March 31, 2023, and the related statements of revenues, expenses, and change in net position and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Louisiana Housing Council, Inc. Benefits Plan as of March 31, 2023, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Louisiana Housing Council, Inc. Benefits Plan and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Louisiana Housing Council, Inc. Benefits Plan's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Louisiana Housing Council, Inc. Benefits Plan's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 7 and the schedule 1 - 10 year claims development information on page 19 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying schedule of compensation, benefits, and other payments to agency head or chief executive officer is presented for purposes of additional analysis 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit 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 basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic 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 January 16, 2024, on our consideration of Louisiana Housing Council, Inc. Benefits Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Louisiana Housing Council, Inc. Benefits Plan'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 Housing Council, Inc. Benefits Plan's internal control over financial reporting and compliance.

*Hawthorn, Weymouth & Carroll, LLP.*

January 16, 2024

**Louisiana Housing Council, Inc. Benefits Plan  
Management's Discussion and Analysis  
March 31, 2023**

The following is management's discussion and analysis of the financial performance of Louisiana Housing Council, Inc. Benefits Plan (the "Health Fund") for the fiscal year ended March 31, 2023. It is presented as a narrative overview and analysis for the purpose of assisting the reader in interpreting the key elements of the financial statements, notes to the financial statements, and supporting schedules for the current year.

Louisiana Housing Council, Inc. is an association of City and Parish Public Housing Authorities in the State of Louisiana, whose members that choose to do so, participate in programs to purchase Health, Life and Disability insurance coverage through the Louisiana Housing Council, Inc. Benefits Plan. The Health Fund was originally formed in 1982.

A committee of 6 members serves as the insurance committee. This committee makes the decisions regarding the insurance operations, and results are shown herein. The Health Fund is currently administered by Arthur J. Gallagher Risk Management Services, Inc. at the direction of the LHC Insurance Committee.

**Financial Highlights**

	<u>(in Millions)</u>		<b>Percentage</b>
	<b>At March</b>	<b>At March</b>	<b>Increase</b>
	<b><u>31, 2023</u></b>	<b><u>31, 2022</u></b>	<b><u>(Decrease)</u></b>
Cash and Investments	\$ 2.84	\$ 2.52	12.70%
Unpaid Claims Liability	0.26	0.23	13.04%
Net Position	2.96	2.43	21.81%
	<b>Fiscal</b>	<b>Fiscal</b>	<b>Percentage</b>
	<b>Year</b>	<b>Year</b>	<b>Increase</b>
	<b><u>2023</u></b>	<b><u>2022</u></b>	<b><u>(Decrease)</u></b>
Premium Income	\$ 5.21	\$ 5.46	(4.58%)
Premiums Ceded and Insurance			
Policies Purchased	1.01	0.99	2.02%
Net Investment Income (Loss)	0.03	(0.03)	200.00%
Net Incurred Claims Expense	3.56	3.42	4.09%
Administrative, Legal and Overhead Fees	0.01	0.01	0.00%
Bad Debt	0.16	0.00	---
Change in Net Position	0.53	1.02	(48.04%)

As shown above, cash and investments increased by 12.70%, due to the Agency's revenue exceeding expenses.

**Louisiana Housing Council, Inc. Benefits Plan  
Management's Discussion and Analysis  
March 31, 2023**

**Financial Highlights (Continued)**

There was a 4.58% decrease in premiums earned due to a 7.7% decrease in members which was offset by a 2.5% increase in premiums charged from the prior year. Premiums ceded increased 2.02% due to the market. Net claims expense increased 4.09% in 2023.

Administrative, legal, and overhead fees remained consistent with the prior year. Investment activity for fiscal year 2023 reflects a gain of approximately \$27,000 or about .01% on average cash and investments.

The overall change in net position for the 2023 fiscal year was an increase of approximately \$533,000. This increase is primarily attributable to premiums earned exceeding claims expense incurred.

**Basic Financial Statements**

The basic financial statements include information for Louisiana Housing Council, Inc. Benefits Plan. The statements are presented in accordance with Governmental Accounting Standards Board (GASB) accounting principles and include the Statement of Net Position, Statement of Revenues, Expenses, and Change in Net Position, and Statement of Cash Flows.

The Statement of Net Position presents the assets and liabilities of the Health Fund. The difference between total assets and liabilities is represented as net position and is a useful indicator of the surplus generated for all years of operation. The change in net position is a useful measure of whether the financial position is improving or deteriorating.

The Statement of Revenues, Expenses, and Change in Net Position presents the results of the insurance operations for the fiscal year. This statement shows the revenues generated by the fund along with the associated expenses. The revenues in excess of expenses or expenses in excess of revenues are represented as the change in net position from one year to another.

The Statement of Cash Flows presents information showing how cash changed throughout the fiscal year as a result of operating and investing activities.

**Contacting the Health Fund's Designated Representative**

This financial report is intended to provide a general overview of Louisiana Housing Council, Inc. Benefits Plan. Questions concerning information provided herein, or requests for additional financial information, should be addressed to the Louisiana Housing Council, Inc. Benefits Plan's designated representative:

Kia Fuller  
LHC Insurance Committee Chairman  
c/o Shreveport Housing Authority  
2500 Line Avenue  
Shreveport, LA 71104

**Louisiana Housing Council, Inc. Benefits Plan**  
**Statement of Net Position**  
**March 31, 2023**

<b>Assets</b>	
<b>Assets</b>	
Cash and cash equivalents	\$ 1,727,348
Investments	1,112,335
Premiums receivable, net	326,310
Prepaid expenses	87,752
Accrued interest	<u>3,613</u>
Total assets	<u>\$ 3,257,358</u>
 <b>Liabilities and Net Position</b>  	
<b>Liabilities</b>	
Due to related party	\$ 38,580
Unpaid claims liability	<u>259,293</u>
Total liabilities	297,873
<b>Net Position</b>	<u>2,959,485</u>
Total liabilities and net position	<u>\$ 3,257,358</u>

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

**Louisiana Housing Council, Inc. Benefits Plan**  
**Statement of Revenues, Expenses, and Change in Net Position**  
**Year Ended March 31, 2023**

<b>Revenues</b>	
Premiums earned	\$ 5,209,523
Premiums ceded	<u>(1,005,125)</u>
Net premiums earned	4,204,398
Net investment income	<u>27,452</u>
Net revenues	<u>4,231,850</u>
 <b>Expenses</b>	
Claims expenses	3,558,981
Claims administrator fees	3,047
Bad debt	135,670
Professional fees and other expenses	<u>1,370</u>
Total expenses	<u>3,699,068</u>
<b>Change in Net Position</b>	532,782
<b>Net Position, beginning of year</b>	<u>2,426,703</u>
<b>Net Position, end of year</b>	<u><u>\$ 2,959,485</u></u>

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

**Louisiana Housing Council, Inc. Benefits Plan**  
**Statement of Cash Flows**  
**Year Ended March 31, 2023**

<b>Cash Flows from Operating Activities</b>	
Change in net position	\$ 532,782
Adjustments to reconcile change in net position to net cash provided by operating activities:	
Net realized and unrealized loss on investments	32,940
Bad debt expense	135,670
(Increase) Decrease in assets:	
Premiums receivable	(378,990)
Excess insurance receivable	9,744
Prepaid expenses	(10,896)
Accrued interest	(961)
Increase (Decrease) in liabilities:	
Accounts payable	(8)
Unpaid claims liability	<u>32,152</u>
Net cash provided by operating activities	<u>352,433</u>
 <b>Cash Flows from Investing Activities</b>	
Proceeds from sale and maturity of investment securities	465,717
Purchase of investment securities	<u>(498,126)</u>
Net cash used in investing activities	<u>(32,409)</u>
 <b>Net Change in Cash and Cash Equivalents</b>	 320,024
<b>Cash and Cash Equivalents, beginning of year</b>	<u>1,407,324</u>
<b>Cash and Cash Equivalents, end of year</b>	<u><u>\$ 1,727,348</u></u>

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

**Louisiana Housing Council, Inc. Benefits Plan**  
**Notes to Financial Statements**  
**March 31, 2023**

**Note 1-Summary of Significant Accounting Policies**

A. Background and Financial Statement Presentation

The general objective of the Louisiana Housing Council, Inc. Benefits Plan (referred to herein as the "Health Fund") is to obtain lower costs for Health, Life, & Disability coverage on behalf of participating local housing authorities. Housing authorities joining the Health Fund must be members of the Louisiana Housing Council, Inc. (LHC), which is an association for the housing authorities of Louisiana and is incorporated as a nonprofit corporation under the laws of the State of Louisiana. A member may withdraw from the Health Fund by giving proper notice. Fund underwriting and rate-setting policies have been established by the LHC Insurance Committee. If the assets of the Health Fund were to be exhausted, members would only be responsible for their respective outstanding claims. Administration of the Health Fund is vested in the LHC Insurance Committee.

LHC has contracted with a service company to administer the Health Fund's day-to-day affairs, subject to the superior authority of the LHC Insurance Committee. The service company performs fund marketing, completes claims administration and reporting, including the processing and defense of claims brought against Health Fund members, and services in the areas of underwriting, risk management, and data information.

Louisiana Housing Council, Inc. Group Self-Insurance Risk Management Agency and Louisiana Housing Council, Inc. Benefits Plan are affiliated through common membership and management control. Although these entities are related parties, their various net assets are available only to the individual entity for its operations. For this reason, Louisiana Housing Council, Inc. Group Self-Insurance Risk Management Agency is presented separately in accordance with Governmental Accounting Standards Board (GASB) Statement No. 10 and GASB Statement No. 14.

B. Basis of Accounting

The Health Fund is considered an enterprise fund and, accordingly, uses the accrual method of accounting and the flow of economic resources measurement focus. Under the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned, and expenses are recognized in the period incurred. The Health Fund applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989 in accounting for its operations unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

Since the business of the Health Fund is essentially that of an insurance company, having a business cycle greater than one year, the statement of net position is not presented in a classified format.

C. Net Position

The Health Fund follows GASB No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This standard provides guidance for reporting the financial statement elements of deferred outflows of resources and deferred inflows of resources. Deferred outflows represent the consumption of the Health Fund's net position that is applicable to a future reporting period. A deferred inflow represents the acquisition of net position that is applicable to a future reporting period. As of March 31, 2023, the Health Fund had no deferred inflows or outflows.

**Louisiana Housing Council, Inc. Benefits Plan**  
**Notes to Financial Statements**  
**March 31, 2023**

**Note 1-Summary of Significant Accounting Policies (Continued)**

**D. Premium Income and Receivables**

Premiums are recognized as income over the term of the policies as they become earned on a pro-rata basis. Any adjustments to annual premiums are considered to be a change in estimate and are recognized in the year they become known. Acquisition costs associated with new and renewal contracts are immaterial to the financial statements and are expensed when incurred.

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Management evaluates accounts receivable on a periodic basis and determines the necessity of an allowance for doubtful accounts based on history of past write-offs, collections, and current conditions. Receivables are written off when it is determined that all collection efforts have been exhausted. At March 31, 2023, management established an allowance of \$135,670.

**E. Unpaid Claims Liability**

The Health Fund establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Estimated amounts of excess insurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are recomputed periodically using a variety of statistical techniques to produce current estimates that reflect recent settlements, claims frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflects past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expenses in the period in which they are made. The carrying amount of liabilities for claims losses and claims expense is presented at actual amounts expected to be spent and are not discounted to present value. Investment earnings are not taken into account in determining claims liability.

**F. Cash and Cash Equivalents**

For purposes of the statement of cash flows, cash and cash equivalents are defined as cash on hand, financial institution deposits, and highly liquid debt instruments purchased with an original maturity of three months or less that are not included in an investment portfolio.

**G. Investments**

Investments are reported at fair value which is based on the last reported sales price if available; if not available, it is estimated. Realized and unrealized gains and losses on investments recorded at fair value are included in net investment income. Investments include money market accounts, corporate bonds, and U.S. Government Agency and Treasury obligations. See Note 4 for further discussion regarding fair value measurements.

**Louisiana Housing Council, Inc. Benefits Plan**  
**Notes to Financial Statements**  
**March 31, 2023**

**Note 1-Summary of Significant Accounting Policies (Continued)**

H. Excess Insurance

The Health Fund purchases excess insurance to reduce exposure to large losses on insured events. Under the excess policies, when claims reach the provided specific or aggregate stop loss limit, the liability transfers to the excess insurer. These excess contracts do not relieve the Health Fund from its obligations to policyholders. Failure of excess carrier to honor its obligations could result in losses to the Health Fund. The Health Fund evaluates the financial condition of its excess carrier and monitors concentrations of credit risk arising from similar geographic regions, activities, or economic characteristics of the excess carrier to minimize its exposure to significant losses from excess carrier insolvency.

I. Income Taxes

The Health Fund is exempt from federal income taxes under Sections 7701 and 115 (1) of the Internal Revenue Code.

J. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates made by management which might affect these financial statements include, but are not limited to, the unpaid claims liability and allowance for doubtful accounts. If future experience differs materially for these estimates and assumptions, the financial statements could be affected.

**Note 2-Deposits and Investments**

The Health Fund must comply with Rule Number 4 of the Commissioner of Insurance, State of Louisiana. According to Rule Number 4, all deposits in financial institutions made by the Health Fund shall be limited to institutions in Louisiana unless a higher rate can be obtained in an out-of-state institution. Deposits in financial institutions may exceed the federally insured amount in any one financial institution, as long as the amount is not in excess of the greater of \$500,000 or 5% of the combination of surplus, undivided profits and reserves as currently reported by the financial institution. In regard to deposits and investments, the Health Fund was in compliance with these provisions during the year ended March 31, 2023.

Under Rule Number 4 of the Commissioner of Insurance, State of Louisiana, the Health Fund may invest any surplus monies in obligations of the U.S. Government and its agencies, as well as financial institutions. The Health Fund may also make investments in bonds or debentures provided certain conditions are met regarding credit quality.

GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, established and modified disclosure requirements related to investment risk. This section describes the various types of investment risk and the Health Fund's exposure to each type.

**Louisiana Housing Council, Inc. Benefits Plan**  
**Notes to Financial Statements**  
**March 31, 2023**

**Note 2-Deposits and Investments (Continued)**

The following table presents the estimated fair value and amortized cost of investments permissible under the rules, objectives and guidelines of the Health Fund as of March 31, 2023:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Amortized Cost</u>
U.S. Treasury Notes	\$ 317,247	\$ 327,629
U.S. Government agency debt obligations	207,622	210,660
U.S. Government mortgage backed securities	491,760	516,055
Corporate Bonds	64,874	65,793
Money Market Funds	<u>30,832</u>	<u>30,832</u>
	<u>\$ 1,112,335</u>	<u>\$ 1,150,969</u>

(I) Custodial Credit Risk

Custodial credit risk for cash and cash equivalents is the risk that in the event of financial institution failure, the Health Fund's deposits may not be returned. The Health Fund has no custodial risk with respect to demand deposit accounts at March 31, 2023. The Health Fund's investments in money market funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the Health Fund will not be able to recover the value of its investments that is in the possession of an outside party. At March 31, 2023, the Health Fund's investments in government debt obligations are exposed to custodial credit risk because they are held by a counterparty.

(II) Credit Risk

Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. Nationally recognized standardized rating systems are a tool with which to assess credit risk on debt obligations. U.S. Government debt securities and money market accounts are not required to be rated.

All of the Health Fund's investments with the exception of money market and corporate bond investments are issued or backed by the U.S. Government. Concentration of credit risk relates to the risk of loss attributed to the magnitude of the Health Fund's investment in a single issuer. The Health Fund had no investments in any one issuer that represented 5% or more of total investments, other than the U.S. Government.

The investment in corporate bonds is rated Aaa by Moody's Investor Service. All other Investments do not require credit quality rating.

**Louisiana Housing Council, Inc. Benefits Plan**  
**Notes to Financial Statements**  
**March 31, 2023**

**Note 2-Deposits and Investments (Continued)**

(III) Interest Rate Risk

Interest rate risk is the risk that changes in overall market interest rates will adversely affect the fair value of an investment. The Health Fund measures and monitors the weighted-average maturity of the fixed income securities portfolio to manage exposure to interest rate risk. This includes the weighted-average maturities of the total fixed income portfolio, individual securities, as well as categories of securities held by the Health Fund. In some instances, actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call prepayment penalties. The following table shows the Health Fund's fixed income investments and maturities in actively-managed accounts at March 31, 2023:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturity in Years</u>			
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>10+</u>
U.S. Treasury Notes	\$ 317,247	\$ 101,916	\$ 215,331	\$ -	\$ -
U.S. Government agency debt obligations	207,622	102,727	104,895	-	-
U.S. Government mortgage backed securities	491,760	11,914	173,396	148,530	157,920
Corporate Bonds	64,874	10,851	54,023	-	-
Money Market Funds	<u>30,832</u>	<u>30,832</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 1,112,335</u>	<u>\$ 258,240</u>	<u>\$ 547,645</u>	<u>\$ 148,530</u>	<u>\$ 157,920</u>

**Note 3-Unpaid Claims Liability**

The following represents activity in the Health Fund's liability for losses and loss adjustment expense for the year ended March 31, 2023:

Unpaid claims at March 31, 2022	<u>\$ 227,141</u>
Incurred claims and claims adjustment expenses of the current period	3,230,895
Changes in provision for insured events of prior years	<u>328,086</u>
Total incurred claims and claims adjustment expense	<u>3,558,981</u>
Payments for claims and claims adjustment expenses attributable to:	
Insured events of current year	(2,971,602)
Insured events of prior years	<u>(555,227)</u>
Total payments and claims adjustment expense	<u>(3,526,829)</u>
Total unpaid claims at March 31, 2023	<u>\$ 259,293</u>

**Louisiana Housing Council, Inc. Benefits Plan**  
**Notes to Financial Statements**  
**March 31, 2023**

**Note 4-Fair Value Measurements**

The Health Fund follows GASB No. 72, *Fair Value Measurements*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. This standard establishes a hierarchical framework which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment.

The Health Fund utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Health Fund determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- Level 1: Quoted prices (unadjusted) in active markets which are accessible at the measurement date.
- Level 2: Prices based on observable inputs corroborated by market data but no quoted active markets.
- Level 3: Prices based on unobservable inputs, including situations where there is little, if any, market activity for the assets or liabilities. The inputs used in the determination of fair value require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, 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. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investments.

Following is a description of the valuation methodologies used for assets at fair value. There has been no change in the methodologies used at March 31, 2023.

*Money Market Funds:*

Valued at cost which approximates market value.

*Government Securities:*

Valued based on quoted market prices when available or is based on yields currently available on comparable securities or on an industry valuation model, which maximizes observable inputs.

*Corporate Bonds:*

Valued based on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, the bond is valued under a discounted cash flows approach that maximizes observable inputs, such as current yields of similar instruments, but includes adjustment for certain risks that may not be observable, such as credit and liquidity risks.

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

**Louisiana Housing Council, Inc. Benefits Plan**  
**Notes to Financial Statements**  
**March 31, 2023**

**Note 4-Fair Value Measurements (Continued)**

Assets measured at fair value on a recurring basis as of March 31, 2023 are as follows

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Government Securities				
U.S. Treasury Notes	\$ 317,247	\$ -	\$ -	\$ 317,247
U.S. Government agency debt obligations	-	207,622	-	207,622
U.S. Government mortgage backed securities	-	491,760	-	491,760
Corporate Bonds	-	64,874	-	64,874
Money Market Funds	30,832	-	-	30,832
Total investments at fair value	<u>\$ 348,079</u>	<u>\$ 764,256</u>	<u>\$ -</u>	<u>\$ 1,112,335</u>

**Note 5-Excess Insurance Policy Coverage**

At March 31, 2023, the Health Fund had excess insurance with each participant having unlimited lifetime maximum coverage. The stop loss per claim is \$125,000 for each individual. Premiums ceded to reinsurers during the year ended March 31, 2023 were \$1,005,125, and the amount deducted from claims was \$465,885. All of the excess insurance activity was with a single carrier. There was no anticipated recoverable amount as of March 31, 2023.

**Note 6-Related Party Transactions**

The Health Fund has a balance due to an entity with common membership and management control in the amount of \$38,580 as of March 31, 2023.

**Note 7-Contingencies**

During the normal course of business, the Health Fund becomes involved in various insurance related claims and legal actions. Management of the Health Fund establishes estimated liabilities for reported and unreported contingencies. Management believes that the outcome of claims and any related legal proceedings will be provided for by the estimated insurance liabilities and will not have a material adverse effect on the Health Fund's financial position or results of operations.

**Note 8-Subsequent Events**

The Health Fund evaluated all subsequent events through January 16, 2024, the date the financial statements were available to be issued. As a result, management noted no subsequent events that required adjustment to, or disclosure in, these financial statements.

**Required Supplementary Information**

**Louisiana Housing Council, Inc. Benefits Plan**  
**Schedule 1 - 10 Year Claims Development Information**  
**For the Year Ended March 31**  
**(Unaudited)- in thousands**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Premiums and investment revenue:</b>										
Earned	\$ 5,210	\$ 5,462	\$ 5,138	\$ 4,825	\$ 3,916	\$ 3,677	\$ 3,647	\$ 3,446	\$ 3,150	\$ 3,195
Ceded	<u>(1,005)</u>	<u>(987)</u>	<u>(1,069)</u>	<u>(1,210)</u>	<u>(1,030)</u>	<u>(877)</u>	<u>(658)</u>	<u>(635)</u>	<u>(547)</u>	<u>(435)</u>
Net earned	4,205	4,475	4,069	3,615	2,886	2,800	2,989	2,811	2,603	2,760
<b>Operating costs, unallocated</b>	139	13	26	26	31	33	45	45	95	195
<b>Estimated claims and expenses, end of policy year</b>										
Incurred	4,025	3,569	4,725	4,742	4,219	2,960	3,510	3,141	3,289	3,911
Ceded	<u>(466)</u>	<u>(151)</u>	<u>(547)</u>	<u>(838)</u>	<u>(732)</u>	<u>(222)</u>	<u>(501)</u>	<u>(209)</u>	<u>(782)</u>	<u>(1,128)</u>
Net incurred	3,559	3,418	4,178	3,904	3,487	2,738	3,009	2,932	2,507	2,783
<b>Paid (cumulative) as of:</b>										
End of policy year	2,972	3,190	3,768	3,434	3,149	2,391	2,816	2,654	2,344	2,544
One year later		3,745	4,177	3,908	3,502	2,717	2,968	2,916	2,499	2,804
Two years later			4,177	3,908	3,502	2,717	2,968	2,916	2,499	2,804
Three years later				3,908	3,502	2,717	2,968	2,916	2,499	2,804
Four years later					3,502	2,717	2,968	2,916	2,499	2,804
Five years later						2,717	2,968	2,916	2,499	2,804
Six years later							2,968	2,916	2,499	2,804
Seven years later								2,916	2,499	2,804
Eight years later									2,499	2,804
Nine years later										2,804
<b>Re-estimated ceded claims and expenses</b>	466	151	547	838	732	222	501	209	782	1,128
<b>Re-estimated net incurred claims and expenses</b>										
End of policy year	3,231	3,418	4,178	3,904	3,487	2,738	3,009	2,932	2,507	2,783
One year later		3,745	4,177	3,908	3,502	2,717	2,968	2,916	2,499	2,804
Two years later			4,177	3,908	3,502	2,717	2,968	2,916	2,499	2,804
Three years later				3,908	3,502	2,717	2,968	2,916	2,499	2,804
Four years later					3,502	2,717	2,968	2,916	2,499	2,804
Five years later						2,717	2,968	2,916	2,499	2,804
Six years later							2,968	2,916	2,499	2,804
Seven years later								2,916	2,499	2,804
Eight years later									2,499	2,804
Nine years later										2,804
<b>Increase (Decrease) in estimated net incurred claims and expenses from end of policy year</b>	-	327	(1)	4	15	(21)	(41)	(16)	(8)	21

The preceding table is supplementary information required by Governmental Accounting Standards Board Statement No. 30 (GASB 30). The Schedule illustrates how the Fund's earned revenue (net of reinsurance) plus investment income and other revenue compare to related costs of loss (net of assumed reinsurance) plus other costs at the end of each year.

**Supplementary Information**

**Louisiana Housing Council, Inc. Benefits Plan  
Schedule of Compensation, Benefits and Other  
Payments to Agency Head or Chief Executive Officer  
Year Ended March 31, 2023**

**Agency Head Name: Kia Fuller, Board Chairman**

<u>Purpose</u>	<u>Amount</u>
Salary	\$ -
Benefits - insurance	-
Benefits - retirement	-
Car allowance	-
Vehicle provided by agency	-
Per diem	-
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	-
Continuing professional education fees	-
Housing	-
Unvouchered expenses	-
Special meals	-



**HAWTHORN  
WAYMOUTH  
& CARROLL, L.L.P.**  
Certified Public Accountants

Louis C. McKnight, III, CPA  
Charles R. Pevey, Jr., CPA  
David J. Broussard, CPA  
Brittany B. Thames, CPA  
Kevin M. Rodriguez, CPA

**Independent Auditor's Report on Internal Control over Financial  
Reporting and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance  
with *Government Auditing Standards***

LHC Insurance Committee  
Louisiana Housing Council, Inc.  
Benefits Plan  
Baton Rouge, Louisiana

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 financial statements of Louisiana Housing Council, Inc. Benefits Plan, which comprise the statement of net position as of March 31, 2023, and the related statements of revenues, expenses, and change in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 16, 2024.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Louisiana Housing Council, Inc. Benefits Plan'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Louisiana Housing Council, Inc. Benefits Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of Louisiana Housing Council, Inc. Benefits Plan'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 and therefore, material weakness or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2023-002 and 2023-003 that we consider to be material weaknesses.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Louisiana Housing Council, Inc. Benefits Plan's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2023-001.

### **Louisiana Housing Council, Inc. Benefits Plan's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on Louisiana Housing Council, Inc. Benefits Plan's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. Louisiana Housing Council, Inc. Benefits Plan's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **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.

*Hawthorn, Waymouth & Carroll, LLP.*

January 16, 2024

**Louisiana Housing Council, Inc. Benefits Plan**  
**Schedule of Findings and Responses**  
**Year Ended March 31, 2023**

**Part I Summary of Audit Results**

- 1) An unmodified opinion has been expressed on the financial statements of Louisiana Housing Council, Inc. Benefits Plan, as of and for the year ended March 31, 2023, and the related notes to the financial statements.
- 2) Noted two deficiencies in internal control over financial reporting that we consider to be material weaknesses
- 3) Noted one instance of noncompliance that is required to be reported under *Government Auditing Standards*.
- 4) A single audit in accordance with *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* was not required.
- 5) A management letter was not issued

**Louisiana Housing Council, Inc. Benefits Plan**  
**Schedule of Findings and Responses**  
**Year Ended March 31, 2023**

**Part II. Financial Statement Findings**

**Noncompliance with State Laws and Regulations**

*2023-001: Filing of Report with Louisiana Legislative Auditor*

**Condition:**

The March 31, 2023 audited financial statements were not filed within six months of the close of the fiscal year.

**Criteria:**

Louisiana Revised Statute 24:513 requires that the Agency submit completed audit reports to the Legislative Auditor no later than six months after the fiscal year end. Accordingly, the submission due date was September 30, 2023. The audit was submitted after the statutory deadline.

**Cause:**

Several issues arose throughout the audit that required significant time to research and correct.

**Effect:**

The Agency is not in compliance with Louisiana R.S. 24:513-556.

**Auditor's Recommendation:**

We recommend the Agency review its current procedures for key processes, including all accounting functions, to ensure the accounting records are closed accurately in a timely manner.

**Management's Corrective Action Plan**

We have turned over accounting administration to RPA, an internal division of Gallagher. The RPA team is comprised of CPAs and they are familiar with the flow of SIF audits. We have moved invoicing out of external systems to 100% inside of the QuickBooks file for LHC which will also make the compilation of reports for audit review quicker and easier. All the above efforts should ensure the 2023-2024 audit is completed prior to the six month deadline.

**Material Weaknesses**

*2023-002: Billing of Premiums*

**Condition:**

Revenue was improperly recorded due to billing errors.

**Criteria:**

Financial transactions should be reviewed for correctness to ensure accuracy of financial reporting.

**Cause:**

Monthly billings were not reviewed for accuracy prior to being sent to participating members.

**Effect:**

A material adjustment to revenue was required.

**Auditor's Recommendation:**

Monthly billings should be reviewed for accuracy, and a process should exist to ensure that all changes requested by members have been updated in the system prior to preparation of monthly billings.

**Louisiana Housing Council, Inc. Benefits Plan  
Schedule of Findings and Responses  
Year Ended March 31, 2023**

**Part II. Financial Statement Findings (Continued)**

**Material Weaknesses (Continued)**

*2023-002: Billing of Premiums (Continued)*

**Management's Corrective Action Plan.**

We have turned over invoice distribution and billing to our Benefits Administration Division within Gallagher. Monthly billings are reconciled and reviewed for accuracy. LHC membership will continue to receive training to ensure that all changes requested are submitted to Gallagher in a timely manner.

*2023-003: Policy for Delinquent Accounts*

**Condition:**

Multiple accounts receivable were past due with member coverage still in effect.

**Criteria:**

The Agency should make appropriate collection efforts on past due accounts or terminate coverage for non-payment.

**Cause:**

The Agency does not have policies and procedures in place for reviewing delinquent accounts

**Effect**

A material adjustment to accounts receivable was required.

**Auditor's Recommendation:**

The Agency should implement a policy to analyze past due accounts to determine collectability or termination of coverage.

**Management's Corrective Action Plan**

A plan will be developed to monitor member payments and minimize delinquent accounts going forward.

**Louisiana Housing Council, Inc. Benefits Plan  
Summary Schedule of Prior Audit Findings  
Year Ended March 31, 2023**

**Part I Financial Statement Findings**

No findings were noted.

**Part II. Management Letter**

A management letter was not issued