

**LOUISIANA STATE UNIVERSITY SCHOOL  
OF MEDICINE IN NEW ORLEANS  
FACULTY GROUP PRACTICE d/b/a  
LSU HEALTHCARE NETWORK**

Management's Discussion and Analysis,  
Financial Statements as of and  
for the Years Ended June 30, 2022 and 2021  
and Independent Auditor's Report



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## Independent Auditor's Report

To the Board of Directors of  
Louisiana State University School of Medicine in  
New Orleans Faculty Group Practice  
d/b/a LSU Healthcare Network

### Report on the Audit of the Financial Statements

#### Opinions

We have audited the financial statements of Louisiana State University School of Medicine in New Orleans Faculty Group Practice, a Louisiana non-profit corporation, d/b/a LSU Healthcare Network (LSUHN), and its blended component units LSU Billing, LLC and University Medical Group, LLC (UMG), collectively referred to as the Organization, and which comprise the statements of net position as of June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2022 and 2021, and the changes in net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

### **Emphasis of Matter**

The 2021 financial statements have been restated for the adoption of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. The effects of the restatement are more fully disclosed in Note 14 to the audited financial statements. The auditor's opinion, presented above, is not modified with respect to the matter emphasized.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 13 be presented to supplement the basic financial statements. Such information, 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 audits 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 financial statements that collectively comprise the Organization's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposed of additional analysis and is not a required part of the basic 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 or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards 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 September 21, 2022 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.



A Professional Accounting Corporation

Metairie, LA  
September 21, 2022

Except for the 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*, which is dated January 9, 2023 due to Finding 2022-01

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# LSU HEALTHCARE NETWORK

## Management's Discussion and Analysis

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This section of the Louisiana State University School of Medicine in New Orleans Faculty Group Practice, a Louisiana non-profit corporation, d/b/a LSU Healthcare Network's (LSUHN), annual financial report presents management's discussion and analysis of financial performance during the fiscal year (FY) ended June 30, 2022. It should be read in conjunction with the financial statements in this report.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of five components - Management's Discussion and Analysis of Financial Condition and Operating Results (this section), the Independent Auditor's Report, the Financial Statements, the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters, and the Independent Auditor's Report on Compliance for Each Major Federal Program.

The *Financial Statements* of LSU Healthcare Network report the financial position of LSUHN and its blended component units and the results of its operations and its cash flows. The financial statements are prepared on the accrual basis of accounting. These statements offer short-term and long-term financial information about LSUHN's activities.

The *Statements of Net Position* include all of LSUHN's and its blended component units' assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to LSUHN's creditors (liabilities) for the year and also provide the basis for evaluating the capital structure of LSUHN and assessing its liquidity and financial flexibility.

All of the current year's revenues and expenses are accounted for in the *Statements of Revenues, Expenses, and Changes in Net Position*. The statements measure the performance of LSUHN's operations and can be used to determine whether LSUHN has been able to recover all of its costs through its patient service revenue and other revenue sources.

The primary purpose of the *Statements of Cash Flows* is to provide information about LSUHN's cash from operating, investing, and financing activities. The cash flow statements outline where the cash comes from, what the cash is used for, and the change in the cash balance during the reporting period.

The audit report also includes the *Notes to the Financial Statements* which are essential to gain a full understanding of the data provided in the financial statements. The notes to the financial statements can be found immediately following the basic financial statements in this report.

## **LSU HEALTHCARE NETWORK**

### **Management's Discussion and Analysis**

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#### **FINANCIAL ANALYSIS OF THE HEALTHCARE NETWORK**

During FY2022, overall productivity (based on work Relative Value Units (RVU) as defined by Centers for Medicare and Medicaid Services (CMS)) was relatively consistent with FY2021, <2% variance. Net collections (not matched to those RVUs) was up slightly, <1%. For FY2023, revenue is budgeted to be slightly down compared to FY2022, about 3%.

During FY2022, there have been some changes in the facilities operated by LSUHN. In May 2022, clinic management of some units within our St. Charles Clinic (5th floor), including Colorectal Surgery, Obstetrics and Gynecology and Pediatrics, were transitioned to LCMC (Louisiana Children's Medical Center), and are now operating as hospital-based clinics. Non-physician employees of those clinical units became LCMC employees and billing for services is now split, with professional billing continuing to be done by LSUHN and facility billing being done by LCMC.

Additional business was added under LSUHN's billing umbrella during FY2022. In August 2020, LSUHN began billing for clinic-based professional services associated with a bariatric program at Pennington Biomedical Research Center in Baton Rouge. In May 2021, LSUHN began billing for professional services at the LSU Student Health clinic on LSU's main campus in Baton Rouge. During FY2022, we began billing for professional services for the LSU Allied Health Department on LSU Health Sciences Center's (LSUHSC) downtown New Orleans campus.

LSUHN continued, during FY2022, to operate clinic sites in the New Orleans area in medical office buildings adjacent to Touro, East Jefferson Hospital, West Jefferson Hospital, as well as a private clinic in Baton Rouge. In May 2022, LSUHN transitioned its electronic medical records to EPIC, which is hosted by LCMC Health.

LSUHN's physicians provide services in hospital-based clinics at University Medical Center of New Orleans, St. Charles Clinic with LCMC, Ochsner Kenner, East Jefferson, Our Lady of the Lake in Baton Rouge, and University Medical Center in Lafayette.

An operating agreement with University Medical Group, LLC (UMG) was executed in January 2020 which renews automatically for successive terms of one year each unless either party notifies the other that it does not intend to renew no later than April 30th of the year that precedes a renewal term.

## LSU HEALTHCARE NETWORK

### Management's Discussion and Analysis

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A summary of LSUHN's Statements of Net Position is presented in the following table:

#### Condensed Statements of Net Position June 30, 2022, 2021, and 2020

	June 30,		
	2022	2021	2020
	(Dollars in Thousands)		
<b>Assets</b>			
Current and Other Assets	\$ 98,292	\$ 108,210	\$ 80,982
Capital Assets	1,676	1,842	2,346
<b>Total Assets</b>	<b>\$ 99,968</b>	<b>\$ 110,052</b>	<b>\$ 83,328</b>
<b>Liabilities</b>			
Other Liabilities	\$ 21,986	\$ 23,403	\$ 16,440
Debt Outstanding	16,844	18,726	10,527
<b>Total Liabilities</b>	<b>38,830</b>	<b>42,129</b>	<b>26,967</b>
<b>Net Position</b>			
Net Investment in Capital Assets	1,676	1,842	2,346
Unrestricted	59,462	66,081	54,015
<b>Total Net Position</b>	<b>61,138</b>	<b>67,923</b>	<b>56,361</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 99,968</b>	<b>\$ 110,052</b>	<b>\$ 83,328</b>

During FY2022, total assets were \$100 million compared to \$110 million during FY2021. The decrease in total assets is due to the decrease in investments of \$8.5 million. Total liabilities were \$38.8 million compared to \$42.1 million during FY2021. FY2021 is the first presented year for lease liabilities as a result of Governmental Accounting Standards Board (GASB) 87 implementation. The decrease in total liabilities of \$3.3 million between 2022 and 2021 is primarily a result of the decrease in lease liabilities of \$1.9 million (\$5.6 million during FY2021 and \$3.7 million during FY2022), and the decrease in the line of credit of \$1.9 million.

## LSU HEALTHCARE NETWORK

### Management's Discussion and Analysis

A summary of LSUHN's Statements of Revenues, Expenses, and Changes in Net Position is presented in the following table:

#### Condensed Statements of Revenues, Expenses, and Changes in Net Position For the Years Ended June 30, 2022, 2021, and 2020

	Years Ended June 30,		
	2022	2021	2020
	(Dollars in Thousands)		
<b>Operating Revenues</b>			
Net Patient Service Revenue	\$ 134,337	\$ 132,357	\$ 112,829
Capitation Revenue	18,249	17,421	20,032
<b>Total Operating Revenues</b>	<b>152,586</b>	<b>149,778</b>	<b>132,861</b>
<b>Operating Expenses</b>			
Operating and Administrative	135,440	132,889	120,775
Medical Claims Expense	13,750	14,395	16,308
Depreciation and Amortization	520	471	450
<b>Total Operating Expenses</b>	<b>149,710</b>	<b>147,755</b>	<b>137,533</b>
<b>Income (Loss) from Operations</b>	<b>2,876</b>	<b>2,023</b>	<b>(4,672)</b>
<b>Non-Operating Income (Expenses)</b>			
Grant Revenue	23	3,779	3,526
Grant Distributions	-	(3,479)	(3,301)
Forgiveness of Paycheck Protection Program Loan	-	1,998	-
Contribution to LSU Health Sciences Center	(452)	(12,000)	(7,048)
Interest Income and Other Income and Expenses, Net	(9,232)	19,241	1,774
<b>Change in Net Position</b>	<b>(6,785)</b>	<b>11,562</b>	<b>(9,721)</b>
<b>Net Position, Beginning of Year</b>	<b>67,923</b>	<b>56,361</b>	<b>66,082</b>
<b>Net Position, End of Year</b>	<b>\$ 61,138</b>	<b>\$ 67,923</b>	<b>\$ 56,361</b>

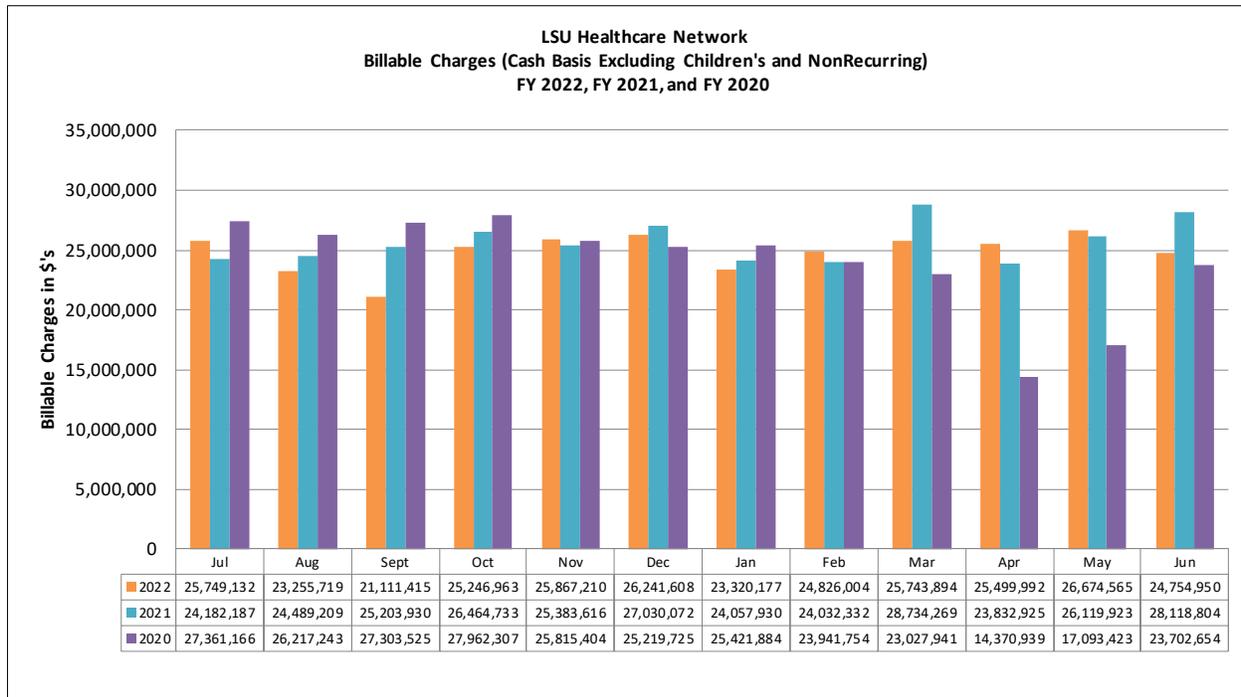
During FY2022, the practice generated 88% of its total revenues from patient care, with the other 12% being derived primarily from capitation revenue from UMG. Visits at the LSUHN-managed clinics have begun to decrease over the last three years, by 13.5% in FY2022, 6.7% in FY2021, and 12.7% in FY2020.

# LSU HEALTHCARE NETWORK

## Management’s Discussion and Analysis

In FY2022, overall cash collections for Patient Services increased by less than 1% with a 2.9% decrease in the LSUHN non-contract business and 1.5% increase in the contract business. Children’s Hospital New Orleans (Children’s) revenue increased by about 6.6% during FY2022.

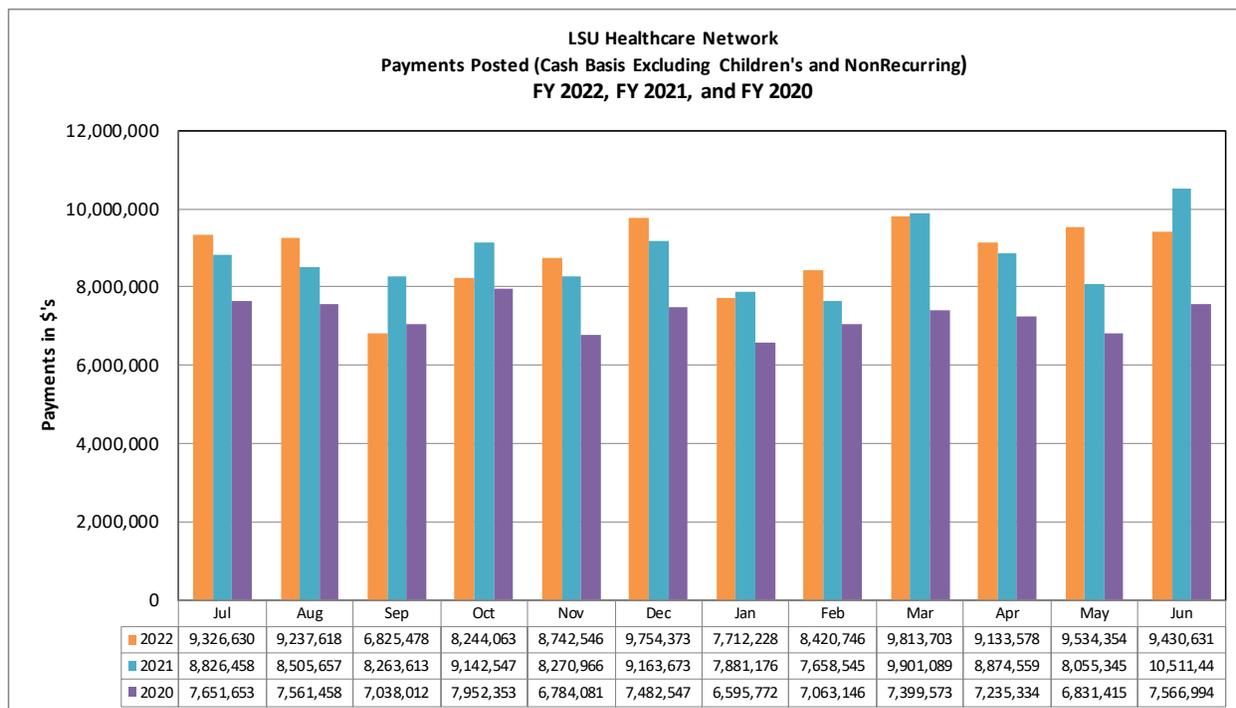
The following chart shows the trend in billable charges for fiscal years 2022, 2021, and 2020:



# LSU HEALTHCARE NETWORK

## Management's Discussion and Analysis

The following chart shows the trend in payments for Patient Services for fiscal years 2022, 2021, and 2020:



LSUHN continues to provide care to patients formerly seen in the public hospital system in New Orleans, Baton Rouge, and Lafayette, without regard to their ability to pay for those services. During the fiscal years ended June 30, 2022 and 2021, charity charges entered into the billing system and adjusted off were \$9.4 million and \$8.7 million, respectively.

The following table represents the relative percentage of gross charges billed for Patient Services by payor, excluding activity for Medicare Advantage for UMG, for the fiscal years ended June 30, 2022 and 2021:

	<b>FY2022</b>	<b>FY2021</b>
Medicaid	<b>44 %</b>	50 %
Free Care/Indigent	<b>3</b>	2
Medicare	<b>29</b>	23
Managed Care/Insurance	<b>20</b>	22
Self-Pay	<b>4</b>	3
<b>Total Gross Charges</b>	<b>100 %</b>	100 %

## LSU HEALTHCARE NETWORK

### Management's Discussion and Analysis

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#### OPERATING AND FINANCIAL PERFORMANCE

In FY2022, total operating expenses were \$149.7 million of which the largest component was the net revenue returned to LSU Health Sciences Center (LSUHSC) of \$104.6 million. The next largest expense was general and administrative expenses of \$19.6 million.

Capital assets remained relatively consistent for FY2022 compared to FY2021.

#### Capital Asset Summary (In Thousands)

	As of FY2022	As of FY2021	Dollar Change	Total % Change
Office Furniture and Telephones	\$ 669	\$ 669	\$ -	0 %
Computers and Related Equipment	1,552	1,552	-	0
Medical Equipment	2,777	2,507	270	11
Leasehold Improvements	1,405	1,399	6	0
Buildings	786	786	-	0
License Fees	3,414	3,335	79	2
Total at Historical Cost	10,603	10,248	355	3
Less: Accumulated Depreciation and Amortization	(8,926)	(8,406)	(520)	6
<b>Capital Assets, Net</b>	<b>\$ 1,677</b>	<b>\$ 1,842</b>	<b>\$ (165)</b>	<b>(9) %</b>

## LSU HEALTHCARE NETWORK

### Management's Discussion and Analysis

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In FY2021, net capital assets decreased by \$0.5 million due primarily to the transition of the Kenner Multispecialty Clinic to Ochsner.

#### Capital Asset Summary (In Thousands)

	As of FY2021	As of FY2020	Dollar Change	Total % Change
Office Furniture and Telephones	\$ 669	\$ 668	\$ 1	0 %
Computers and Related Equipment	1,552	1,566	(14)	(1)
Medical Equipment	2,507	2,565	(58)	(2)
Leasehold Improvements	1,399	1,468	(69)	(5)
Buildings	786	786	-	0
License Fees	3,335	3,342	(7)	0
Total at Historical Cost	10,248	10,395	(147)	(1)
Less: Accumulated Depreciation and Amortization	(8,406)	(8,049)	(357)	4
<b>Capital Assets, Net</b>	<b>\$ 1,842</b>	<b>\$ 2,346</b>	<b>\$ (504)</b>	<b>(21) %</b>

#### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

A budget was presented and approved by the Board of Directors in June 2022 for FY2023. This budget was rolled out to all the practice managers and will be reviewed quarterly to compare actual expenses vs. budget.

LSUHN is replacing its end-of-life phone system during the fall of FY2023, the estimated expense of which was included in and approved as part of the FY2023 budget.

#### CONTACTING THE PRACTICE'S FINANCIAL MANAGER

This financial report is designed to provide our customers and creditors with a general overview of LSUHN's finances. If you have questions about this report or need additional financial information, please contact the Director of Accounting, LSU Healthcare Network, 478 S. Johnson Street, Suite 601, New Orleans, LA 70112.

## LSU HEALTHCARE NETWORK

### Management's Discussion and Analysis

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#### REPORT OF MANAGEMENT'S RESPONSIBILITY

The management of LSUHN is responsible for the preparation and integrity of the financial information presented in this report. The basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board, and include amounts based on judgments and estimates made by management. Management also prepares the other information included in the report and is responsible for its accuracy and consistency with the financial statements. The financial statements have been audited by the independent accounting firm of LaPorte, A Professional Accounting Corporation (LaPorte), who was given unrestricted access to all financial records and related data, including the minutes of all meetings of the Board of Directors.

The Board of Directors, through its Executive Finance Committee (the Committee), provides oversight to the financial reporting process. Integral to this process is the Committee's review and discussion with management of the monthly financial statements and the external auditors for the annual financial statements.

LSUHN maintains a system of internal control over financial reporting, which is designed to provide reasonable assurance that transactions are executed as authorized and accurately recorded and that assets are properly safeguarded, and also to provide reasonable assurance to our management and the Board of Directors regarding the reliability of our financial statements. The internal control system includes:

- A documented organizational structure and division of responsibility.
- Established policies and procedures that are regularly communicated and that demand high ethical conduct from all employees.

LSUHN's Executive Finance Committee monitors the operations and internal control system and reports findings and recommendations to management and the Board of Directors as appropriate. Corrective actions are taken to address control deficiencies and other opportunities for improvement as they are identified.

Louisiana State University School of Medicine in New Orleans Faculty Group Practice (d/b/a LSU Healthcare Network)



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J. Christian Winters, MD  
Chief Executive Officer

## **BASIC FINANCIAL STATEMENTS**

**LSU HEALTHCARE NETWORK**  
**Statements of Net Position**  
**June 30, 2022 and 2021**

	2022	2021
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 13,128,432	\$ 13,817,377
Patient Accounts Receivable (Net of Allowance for Doubtful Accounts of \$7,842,465 and \$11,324,887, Respectively)	9,862,235	9,125,920
Inventory	65,996	182,926
Prepaid Expenses	510,933	555,203
Other Receivables	623,964	83,563
<b>Total Current Assets</b>	<b>24,191,560</b>	23,764,989
<b>Capital Assets, Net</b>	<b>1,676,266</b>	1,841,946
<b>Other Assets</b>		
Right of Use Assets	3,847,054	5,696,170
Deposits	221,190	221,190
Investments, at Fair Value	70,032,140	78,528,350
<b>Total Other Assets</b>	<b>74,100,384</b>	84,445,710
<b>Total Assets</b>	<b>\$ 99,968,210</b>	\$ 110,052,645
<b>Liabilities and Net Position</b>		
<b>Current Liabilities</b>		
Accounts Payable and Accrued Liabilities	\$ 2,421,098	\$ 1,648,482
Medical Claims Payable	1,143,886	1,051,089
Due to LSU Health Sciences Center	14,766,451	15,130,876
Current Portion of Lease Liabilities	1,456,930	1,918,289
Line of Credit	16,844,455	18,726,327
<b>Total Current Liabilities</b>	<b>36,632,820</b>	38,475,063
<b>Lease Liabilities, Net of Current Portion</b>	<b>2,197,678</b>	3,654,608
<b>Total Liabilities</b>	<b>38,830,498</b>	42,129,671
<b>Net Position</b>		
Net Investment in Capital Assets	1,676,266	1,841,946
Unrestricted	59,461,446	66,081,028
<b>Total Net Position</b>	<b>61,137,712</b>	67,922,974
<b>Total Liabilities and Net Position</b>	<b>\$ 99,968,210</b>	\$ 110,052,645

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

**LSU HEALTHCARE NETWORK**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**For the Years Ended June 30, 2022 and 2021**

	2022	2021
<b>Operating Revenues</b>		
Net Patient Service Revenue, Net of Provision for Bad Debts of \$4,422,717 and \$13,317,885, Respectively	\$ 134,336,529	\$ 132,356,729
Capitation Revenue	18,248,936	17,421,348
<b>Total Operating Revenues</b>	<b>152,585,465</b>	<b>149,778,077</b>
<b>Operating Expenses</b>		
Personnel - Salaries and Benefits	8,622,688	8,707,666
Leased Employees - Non-Faculty	1,243,018	1,029,823
Medical Drugs and Supplies	1,405,979	1,622,698
Medical Claims Expense	13,749,770	14,394,568
General and Administrative	19,602,513	17,400,478
Net Revenues Returned to LSU Health Sciences Center	104,566,742	104,128,760
Depreciation and Amortization	519,736	470,807
<b>Total Operating Expenses</b>	<b>149,710,446</b>	<b>147,754,800</b>
<b>Income from Operations</b>	<b>2,875,019</b>	<b>2,023,277</b>
<b>Non-Operating Income (Expenses)</b>		
Grant Revenue	22,500	3,778,556
Forgiveness of Paycheck Protection Program Loan	-	1,997,925
Grant Distributions	-	(3,478,858)
Contribution to LSU Health Sciences Center	(452,356)	(12,000,000)
Investment Income and Other Expenses, Net	(9,419,027)	19,097,728
Other Income	188,602	143,324
<b>Total Non-Operating Income (Expenses), Net</b>	<b>(9,660,281)</b>	<b>9,538,675</b>
<b>Change in Net Position</b>	<b>(6,785,262)</b>	<b>11,561,952</b>
<b>Net Position, Beginning of Year</b>	<b>67,922,974</b>	<b>56,361,022</b>
<b>Net Position, End of Year</b>	<b>\$ 61,137,712</b>	<b>\$ 67,922,974</b>

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

**LSU HEALTHCARE NETWORK**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2022 and 2021**

	2022	2021
<b>Cash Flows from Operating Activities</b>		
Cash Received from Clinic Operations	\$ 133,600,214	\$ 130,638,252
Cash Received from Capitation Revenue	18,248,936	17,421,348
Cash Payments for Personnel	(9,165,837)	(9,783,553)
Cash Payments for Net Revenues Returned to LSU Health Sciences Center	(104,931,167)	(102,391,623)
Cash Payments for Supplies and General and Administrative	(19,450,022)	(17,207,804)
Cash Payments for Medical Claims	(13,656,972)	(14,422,515)
Cash Received for Taxes Refunded	487,800	-
<b>Net Cash Provided by Operating Activities</b>	<b>5,132,952</b>	4,254,105
<b>Cash Flows from Capital and Related Financing Activities</b>		
Proceeds from Line of Credit	-	4,343,820
Payments on Line of Credit	(1,881,872)	(6,147,009)
Payments of Lease Liabilities	(1,918,289)	(1,823,292)
Proceeds from Grants	22,500	3,778,556
Distribution of Grants	-	(3,478,858)
Purchase of Capital Assets	(354,056)	(70,568)
Contribution to LSU Health Sciences Center	(452,356)	-
<b>Net Cash Used in Capital and Related Financing Activities</b>	<b>(4,584,073)</b>	(3,397,351)
<b>Cash Flows from Investing Activities</b>		
Cash Received from Deposits	-	3,474
Cash Paid for Deposits	-	(2,117)
Interest and Dividends, Net of Fees and Taxes Paid	1,679,463	5,625,955
Final Distribution for PHH	48,897	2,531,213
Proceeds from Sale of Investments	14,800,827	17,310,443
Purchase of Investments	(17,767,011)	(27,453,593)
<b>Net Cash Used in Investing Activities</b>	<b>(1,237,824)</b>	(1,984,625)
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(688,945)</b>	(1,127,871)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>13,817,377</b>	14,945,248
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 13,128,432</b>	<b>\$ 13,817,377</b>
<b>Supplemental Disclosure of Non-Cash Capital and Related Financing Activities</b>		
Adoption of GASB 87	\$ -	\$ 7,409,826
Line of Credit Draw Directly to LSU Health Sciences Center	\$ -	\$ 12,000,000

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

**LSU HEALTHCARE NETWORK**  
**Statements of Cash Flows (Continued)**  
**For the Years Ended June 30, 2022 and 2021**

	2022	2021
<b>Reconciliation of Income from Operations to</b>		
<b>Net Cash Provided by Operating Activities</b>		
Income from Operations	\$ 2,875,019	\$ 2,023,277
Adjustments to Reconcile Income from Operations to Net Cash Provided by Operating Activities		
Depreciation	519,736	470,807
Amortization of Right of Use Assets	1,849,116	1,700,019
Provision for Bad Debt	4,422,717	13,317,885
Tax Refunds Received	487,800	-
(Increase) Decrease in Operating Assets		
Patient Accounts Receivable, Net	(5,159,032)	(15,036,362)
Inventory	116,930	10,121
Prepaid Expenses	44,270	(3,788)
Other Receivables	(540,401)	238,020
Increase (Decrease) in Operating Liabilities		
Accounts Payable and Accrued Expenses	788,425	(175,064)
Medical Claims Payable	92,797	(27,947)
Due to LSU Health Sciences Center	(364,425)	1,737,137
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 5,132,952</b>	<b>\$ 4,254,105</b>

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

# LSU HEALTHCARE NETWORK

## Notes to the Financial Statements

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### Note 1. Summary of Significant Accounting Policies

#### Reporting Entity

Louisiana State University School of Medicine in New Orleans Faculty Group Practice, a Louisiana non-profit corporation, d/b/a LSU Healthcare Network (LSUHN), supports the LSU Health Sciences Center (LSUHSC) in carrying out its medical, educational, and research functions. The Board of Directors consists of seven (7) members who are representatives of the Board of Supervisors of Louisiana State University and Agricultural and Mechanical College (LSU), the LSUHSC, and the LSU School of Medicine in New Orleans, as well as eight (8) public or community members who are not employees of LSU and are nominated by either the Nominating Committee or any member of the Board of Directors. Upon dissolution of LSUHN, any remaining assets would be distributed to the Board of Supervisors of LSU or its successor for distribution to the LSU School of Medicine in New Orleans or to the Louisiana State University Health Foundation. LSUHN provides health care to the general public including, but not limited to, the delivery of physician medical services and other healthcare services to individuals. LSUHN receives compensation for these services from the Medicare and Medicaid programs, certain commercial insurance carriers, health maintenance organizations, preferred provider organizations, and directly from patients.

LSUHN's activities include billing for services provided at University Medical Center and University Hospital in Lafayette, both of which participate in cooperative endeavor agreements with the State of Louisiana, and the public clinics serviced by LSUHSC. In August 2011, LSUHN and LSUHSC (through the Board of Supervisors of LSU) entered into a restated and amended agreement pursuant to the Uniform Affiliation Agreement. The agreement establishes support of the Board of Supervisors of LSU and LSUHSC-NO in the attainment of its mission and goals, particularly as they relate to the LSUHSC-NO Schools of Medicine, Allied Health Professions, Dentistry, Nursing, and Public Health (collectively, the Health Professional Schools) in their clinical practices.

LSUHN remains a private entity under Louisiana Revised Statute (R.S.) 17:3390 but is combined with the Louisiana State University System for financial reporting purposes and is included in the basic financial statements of the Louisiana State University System together with its blended component units which are described below.

#### Basis of Accounting

The financial statements of LSUHN have been prepared using the proprietary fund method of accounting whereby revenues and expenses are recognized on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities. These financial statements have been prepared in accordance with Governmental Accounting Standards Board (GASB) Codification.

# LSU HEALTHCARE NETWORK

## Notes to the Financial Statements

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### Accounting Standards (Continued)

##### *Blended Component Units*

LSUHN follows the requirements under GASB Codification 2600, *Reporting Entity and Component Unit Presentation and Disclosure*. The financial statements include the accounts of LSUHN and its blended component units: University Medical Group, LLC and LSUHN Billing, LLC. The significant intercompany transactions and balances have been eliminated. The activities of the blended component units of LSUHN are as follows:

*University Medical Group, LLC* - University Medical Group, LLC (UMG) is a wholly-owned component unit of LSUHN. UMG directly contracts with New Orleans Physician Hospital Organization, Inc. d/b/a People's Health, a Medicare Advantage Plan (PHN) under capitated arrangements to provide physician healthcare services to PHN members who select UMG physicians in the UMG network. UMG operates primarily in the New Orleans, Louisiana metropolitan area.

The purpose of UMG is to pursue risk contracts in which providers accept capitated payments, through People's Health Network, for healthcare services. UMG has two primary goals: (1) to gain and protect market share for its providers and (2) to generate and distribute surpluses in the event that capitation payments received exceed the cost of healthcare services provided.

*LSUHN Billing, LLC* - LSUHN is the sole member of LSUHN Billing, LLC (LSUHN Billing). LSUHN Billing was formed in December 2007 for use by the billing company that handles Baton Rouge and Lafayette billing.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements.

Estimates also affect the reported amounts of revenues and expenses during the reporting period. Estimates which are significant for LSUHN include contractual and bad debt allowances and the liability for medical claims payable. Accordingly, actual results could differ from those estimates.

#### Income Taxes

LSUHN is a non-profit corporation organized under the laws of the State of Louisiana. It is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the Code) of 1986, and qualifies as a support organization, as defined in Section 501(a) of the Code.

# LSU HEALTHCARE NETWORK

## Notes to the Financial Statements

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### Income Taxes (Continued)

LSUHN's blended component unit, University Medical Group, LLC, held a minority ownership investment in PH Holdings, LLC, which is a holding company formed in November 2011 that elected to be an S corporation effective January 1, 2012. As a result of this election, any net income derived from this investment will be subject to tax from unrelated business activities. LSUHN requested and received a private letter ruling from the Internal Revenue Service which confirmed its minority interest in this S corporation, through its blended component unit, will not affect its tax-exempt status. Effective September 2, 2020, University Medical Group, LLC's interest in PH Holdings, LLC was cancelled.

LSUHN and its blended component units believe they have appropriate support for any tax positions taken and, as such, do not have any uncertain tax positions that are material to the financial statements. Penalties and interest assessed by income taxing authorities, if any, would be included in operating expenses.

#### Cash and Cash Equivalents

LSUHN considers all highly liquid investments in money market funds and investments available for current use with an original maturity of three months or less to be cash equivalents. Amounts are recorded at fair value.

#### Patient Receivables

Patient receivables, where a third-party payor is responsible for paying the amount, are carried at a net amount determined by the original charge for the services provided, less an estimate made for contractual adjustments or discounts provided to third-party payors. The estimated contractual allowance amounted to \$18,742,622 and \$20,017,586 as of June 30, 2022 and 2021, respectively.

Patient receivables due directly from the patients, net of any third-party payor responsibility, are carried at the net charge for the service provided less an estimated allowance for doubtful accounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by historical experience applied to an aging of accounts. LSUHN does not charge interest on patient receivables. Patient receivables are written off as bad debt expense when deemed uncollectible. Provision for bad debts was \$4,422,717 and \$13,317,885 for the years ended June 30, 2022 and 2021, respectively.

LSUHN participates in state Medicaid supplemental payment programs (Upper Payment Limit and Full Medicaid Payment) which are not subject to the allowances established by management. In January 2020, this program transitioned from quarterly lump sum payments, paid in arrears, to real-time payments paid at the time of service.

UMG has stop-loss insurance coverage with an unaffiliated insurer for charges that exceed certain limits. Amounts recoverable from the unaffiliated insurer are included in patient accounts receivable on the accompanying statements of net position.

# LSU HEALTHCARE NETWORK

## Notes to the Financial Statements

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### Capital Assets

Capital assets are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are computed on the straight-line basis over the estimated useful lives of the assets, which range from 3 to 5 years.

#### Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of net position. Unrealized gains and losses are included in the change in net position. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investment earnings, including realized gains and losses on investments, interest and dividends, and changes in unrealized gains and losses, are included in non-operating income.

#### Leases

GASB Statement No. 87, *Leases*, was issued to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The Statement required recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contracts. The adoption of GASB Statement No. 87 was accomplished using a retrospective method of application, with accounting policies related to leases revised accordingly, effective July 1, 2020, as discussed below.

LSUHN determines if an arrangement is a lease at inception of the contract. Right-of-use assets represent the right to use the underlying assets for the lease term, and lease liabilities represent the obligation to make payments arising from the leases. Right-of-use assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. LSUHN uses its estimated incremental borrowing rate, which is derived from information available at the lease commencement date, in determining the present value of lease payments.

LSUHN's operating leases are primarily for real estate, including outpatient facilities, medical office buildings, and corporate and other administrative offices. LSUHN's real estate lease agreements typically have initial terms of 2 to 5 years. In line with this Statement, LSUHN does not record right-of-use assets and lease liabilities on leases with an initial term of 12 months, or less, in the balance sheet.

LSUHN's real estate leases may include one or more options to renew, with renewals extending the lease term for multiple years. The exercise of lease renewal options is at LSUHN's sole discretion. In general, LSUHN does not consider it reasonably likely that renewal options will be exercised; therefore, renewal options are generally not recognized as part of right-of-use assets and lease liabilities. The useful life of assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise.

# LSU HEALTHCARE NETWORK

## Notes to the Financial Statements

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### Leases (Continued)

LSUHN elected the practical expedient method that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and is applying this expedient to all relevant asset classes. LSUHN also elected the practical expedient package to not reassess at adoption (i) expired or existing contracts for whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial indirect costs for existing leases.

#### Medical Claims Payable

The unpaid medical claims liability of UMG represents management's best estimate of the ultimate net cost of all reported and unreported claims incurred, but not paid, during the reporting period. The estimate is based on actuarial projections of the historical development of claims incurred but not reported and case-basis estimates of claims reported prior to the end of the reporting period.

The estimate of the unpaid medical claims liability was based on the best data available to UMG; however, because of the limited number of members covered by UMG, the estimates are subject to a significant degree of inherent variability. The estimates are continually reviewed and adjusted as necessary as experience develops or new information becomes known; such adjustments are included in current operations.

Although management believes the estimate of the unpaid medical claims liability is reasonable under the circumstances, it is possible that UMG's actual incurred claims expense will not conform to the assumptions inherent in the determination of the liability; accordingly, the ultimate settlement of the claims may vary significantly from the estimate included in the accompanying financial statements.

During the year ended June 30, 2022, UMG recognized unfavorable development of claims incurred but not reported of approximately \$18,000 due to changes in estimates of the unpaid medical claims liability. These changes in estimates resulted from the actual frequency and severity of claims differing from original estimates.

Net position is reported in three components: net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

*Net Investment in Capital Assets* - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and amortization, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

*Restricted* - This component of net position consists of constraints placed on net assets use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.

*Unrestricted* - This component of net position consists of net assets that do not meet the definition of the other components of net position described above.

# LSU HEALTHCARE NETWORK

## Notes to the Financial Statements

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### **Operating versus Non-Operating Revenue and Expenses**

LSUHN distinguishes operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services in connection with LSUHN's principal ongoing operations. The principal operating revenue of LSUHN is for patient services. Operating expenses include patient services expense, general and administrative expenses, supply and other expenses, and depreciation and amortization expenses. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

#### **Patient Service Revenue Net of Contractual Adjustments and Allowances**

LSUHN has agreements with third parties that provide payments at amounts different from its established rates. Net patient service revenue is reported in the financial statements at the estimated net amounts realizable from patients, third-party payors, and others for services rendered. Major third-party payor arrangements include the Medicaid and Medicare programs.

LSUHN has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, preferred provider organizations, and Coordinated Care Networks (CCN). The basis for payments to LSUHN under these agreements includes prospectively determined rates per office visit and discounts from established charges.

To ensure accurate payments to providers, the Tax Relief and Healthcare Act of 2006 mandated the Centers for Medicare and Medicaid Services (CMS) to implement Recovery Audit Contractor (RAC) and Medicaid Integrity Contractor (MIC) programs on a permanent and nationwide basis no later than 2010. CMS uses RACs and MICs to search for potentially improper Medicare and Medicaid payments that may have been made to healthcare providers that were not detected through existing CMS program integrity efforts, on payments that have occurred at least one year in the past but not longer than three years. Once a RAC or MIC identifies a claim it believes to be improper, it makes a deduction from the provider's Medicare or Medicaid reimbursement in an amount estimated to equal the overpayment.

LSUHN will deduct from revenue amounts assessed under the RAC and MIC audits at the time a notice is received until such time that estimates of net amounts due can be reasonably estimated. RAC and MIC assessments are anticipated; however, the outcome of such assessments is unknown and cannot be reasonably estimated.

The Louisiana Medicaid agency currently contracts with five (5) private entities to manage care for most of the State's Medicaid enrollees. These entities contract with the Louisiana Department of Health and Hospitals and serve as CCNs. The CCNs coordinate care for Medicaid eligible adults with disabilities not enrolled in Medicare, children younger than 19, their parents, and pregnant women, allowing them to choose their own CCN. As better rates were negotiated with the CCNs, the Upper Payment Limit (UPL) will not be available for this portion of the Medicaid business.

# LSU HEALTHCARE NETWORK

## Notes to the Financial Statements

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### **Charity Care**

LSUHN bills for services provided to patients in hospitals that participate in cooperative endeavor agreements with the State of Louisiana without regard to their ability to pay for those services. LSUHN does not pursue collection of charges generated from providing services to patients that are determined to qualify for charity care and, as a result, these charges are not reported as revenue. The hospital and clinic partners of LSUHN determine when the criteria are met for a patient to qualify for charity care, at which point the charges are written off. The records are maintained by each of these hospital and clinic partners. For the years ended June 30, 2022 and 2021, charity charges totaled \$9,377,577 and \$8,696,224, respectively.

#### **Capitation Revenue**

UMG, the wholly-owned blended component unit of LSUHN, has entered into an agreement with PHN whereby UMG has authorized PHN to contract with purchasers of healthcare services for the delivery of healthcare services to covered members.

UMG receives capitated payments as compensation for a commitment to provide healthcare services to covered members. Capitation payments are recognized as revenue during the period in which UMG is obligated to provide healthcare services to these members.

#### **Medical Claims Expense**

UMG contracts with various physicians, physician groups, and other ancillary providers in its network under the terms of primary/specialty care physician agreements or other ancillary agreements for the purpose of providing healthcare services on behalf of PHN. Based on the terms of the agreements, medical expense is recognized either during the period in which UMG is obligated to provide medical services for members, or during the period in which medical services are incurred by members.

## LSU HEALTHCARE NETWORK

### Notes to the Financial Statements

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#### Note 2. Related-Party Transactions

In accordance with the Amended and Restated Uniform Affiliation Agreement with LSUHSC, LSUHN provides management services, nursing services, technical support services, clerical services, billing and collection services, and other support personnel as necessary to operate a healthcare delivery system. LSUHSC provides professional services of clinical faculty and, in exchange, LSUHN returns all net revenue, according to the formula in the agreement, to LSUHSC. Net revenues incurred to be returned to LSUHSC were \$104,566,742 and \$104,128,760 for the years ended June 30, 2022 and 2021, respectively, with amounts owed under the Amended and Restated Uniform Affiliation Agreement at June 30, 2022 and 2021 totaling \$14,766,451 and \$15,130,876, respectively.

In addition, LSUHSC provides general support services for LSUHN to operate, such as faculty for LSUHN senior management, computer network, and email accounts. LSUHN reimburses LSUHSC for these services. Amounts paid for general support services were \$3,833,463 and \$4,342,104 during the years ended June 30, 2022 and 2021, respectively. As of June 30, 2022 and 2021, \$308,460 and \$130,596, respectively, was due to LSUHSC for general support services. These amounts are included in accounts payable and accrued liabilities on the statements of net position.

On December 13, 2018, the Board of Directors resolved to provide the LSU School of Medicine \$20,500,000 for the renovation and development of faculty offices in the renovated Interim Louisiana Hospital. LSUHN paid the LSU School of Medicine, \$452,356 and \$12,000,000 for the years ended June 30, 2022 and 2021, respectively, related to this commitment. There is no remaining future commitment as of June 30, 2022.

#### Note 3. Capitation Revenue

UMG recognizes an accrual for retroactive changes from CMS for revenue resulting from changes in risk score adjustments for prior periods. UMG estimates \$125,282 of risk score adjustments for the year ended June 30, 2022 which PHI expects to receive from CMS in fiscal year 2023.

# LSU HEALTHCARE NETWORK

## Notes to the Financial Statements

### Note 4. Deposits, Investments, and Investment Income

#### Investments

LSUHN's investment policy allows for investing available funds in cash and cash equivalents, marketable securities (including publicly traded equity and fixed income securities), and mutual funds. LSUHN invested in hedging instruments which are included in alternative assets in the schedules below. At June 30, 2022 and 2021, LSUHN's investments included equities and debt securities with maturity dates ranging from 0 to 10 years. The cost and fair value of investments at June 30, 2022 and 2021 were as follows:

June 30, 2022	Fair Value	Cost	Unrealized Gain (Loss)
Cash and Short-Term	\$ 915,856	\$ 903,153	\$ 12,703
Equities	42,736,129	39,217,022	3,519,107
Mutual Funds	12,216,211	13,140,807	(924,596)
Fixed Income	5,849,384	6,185,246	(335,862)
Alternative Assets	8,314,560	8,490,554	(175,994)
Total	\$ 70,032,140	\$ 67,936,782	\$ 2,095,358
June 30, 2021	Fair Value	Cost	Unrealized Gain (Loss)
Cash and Short-Term	\$ 708,752	\$ 692,313	\$ 16,439
Equities	55,699,373	41,466,088	14,233,285
Mutual Funds	11,651,393	11,522,978	128,415
Fixed Income	6,637,058	6,249,198	387,860
Alternative Assets	3,831,774	3,728,002	103,772
Total	\$ 78,528,350	\$ 63,658,579	\$ 14,869,771

**Interest Rate Risk:** Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

## LSU HEALTHCARE NETWORK

### Notes to the Financial Statements

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#### Note 4. Deposits, Investments, and Investment Income (Continued)

##### Investments (Continued)

Concentration of Credit Risk: LSUHN invests in money market funds which are not insured or guaranteed by the U.S. Government; however, management believes the credit risk related to these investments is minimal. LSUHN's investment policy is to maintain a reasonable diversification of investment assets between asset classes and investment categories at all times using a conservative-moderate approach to the allocation. LSUHN places no limits on the amount that may be invested with one issuer. Issuers comprising 5% or more of LSUHN's investments at June 30, 2022 and 2021 were as follows:

<b>June 30, 2022</b>	<b>Percent</b>
<b>Fidelity 500 Index-Inst Prm</b>	<b>14%</b>
<b>Fidelity Intl Indx-Inst Prm</b>	<b>7%</b>
<b>Ishares Cohen &amp; Steers REIT</b>	<b>5%</b>

<b>June 30, 2021</b>	<b>Percent</b>
Fidelity 500 Index-Inst Prm	14%
Fidelity Intl Indx-Inst Prm	7%
Ishares Core MSCI Emerging	6%
Invesco QQQ Trust Series 1	5%
Vanguard Mid-Cap ETF	5%

LSUHN categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

# LSU HEALTHCARE NETWORK

## Notes to the Financial Statements

### Note 4. Deposits, Investments, and Investment Income (Continued)

#### Investments (Continued)

LSUHN has the following recurring fair value measurements as of June 30, 2022 and 2021:

June 30, 2022	Level 1	Level 2	Level 3	Net Balance
Cash and Short-Term	\$ 776,856	\$ 139,000	\$ -	\$ 915,856
Equities	42,736,129	-	-	42,736,129
Mutual Funds	12,216,211	-	-	12,216,211
Fixed Income	5,615,582	233,802	-	5,849,384
Alternative Assets	5,814,560	-	2,500,000	8,314,560
<b>Total</b>	<b>\$ 67,159,338</b>	<b>\$ 372,802</b>	<b>\$ 2,500,000</b>	<b>\$ 70,032,140</b>

June 30, 2021	Level 1	Level 2	Level 3	Net Balance
Cash and Short-Term	\$ 708,752	\$ -	\$ -	\$ 708,752
Equities	55,699,373	-	-	55,699,373
Mutual Funds	11,651,393	-	-	11,651,393
Fixed Income	5,903,899	733,159	-	6,637,058
Alternative Assets	3,831,774	-	-	3,831,774
<b>Total</b>	<b>\$ 77,795,191</b>	<b>\$ 733,159</b>	<b>\$ -</b>	<b>\$ 78,528,350</b>

The following table presents a reconciliation of changes in fair value of financial assets classified as Level 3 for the years ended June 30, 2022 and 2021:

	2022	2021
Alternative Assets		
Balance, Beginning of the Year	\$ -	\$ -
Transfers into Level 3	-	-
Transfers out of Level 3	-	-
Realized Gains (Losses)	-	-
Unrealized Gains on Securities Still Held at Year End	-	-
Purchases	2,500,000	-
Sales	-	-
Settlements	-	-
<b>Balance, End of the Year</b>	<b>\$ 2,500,000</b>	<b>\$ -</b>

Alternative assets classified as level 3 are reported at fair value using net asset value per share (or equivalent) as of June 30, 2022.

# LSU HEALTHCARE NETWORK

## Notes to the Financial Statements

### Note 5. Capital Assets

Capital asset activity for fiscal years ended June 30, 2022 and 2021 was as follows:

June 30, 2022	Beginning Balance	Additions	Deletions	Ending Balance
Office Furniture and Fixtures	\$ 669,451	\$ -	\$ -	\$ 669,451
Computers and Related Equipment	1,551,964	-	-	1,551,964
Medical Equipment	2,506,918	269,624	-	2,776,542
Leasehold Improvements	1,398,633	6,026	-	1,404,659
Building	785,862	-	-	785,862
License Fees	3,335,410	78,406	-	3,413,816
<b>Total at Historical Cost</b>	<b>10,248,238</b>	<b>354,056</b>	<b>-</b>	<b>10,602,294</b>
<b>Less: Accumulated Depreciation and Amortization</b>	<b>(8,406,292)</b>	<b>(519,736)</b>	<b>-</b>	<b>(8,926,028)</b>
<b>Capital Assets, Net</b>	<b>\$ 1,841,946</b>	<b>\$ (165,680)</b>	<b>\$ -</b>	<b>\$ 1,676,266</b>

June 30, 2021	Beginning Balance	Additions	Deletions	Ending Balance
Office Furniture and Fixtures	\$ 667,601	\$ 1,850	\$ -	\$ 669,451
Computers and Related Equipment	1,566,412	6,629	(21,077)	1,551,964
Medical Equipment	2,564,427	35,470	(92,979)	2,506,918
Leasehold Improvements	1,468,285	12,180	(81,832)	1,398,633
Building	785,862	-	-	785,862
License Fees	3,342,348	14,439	(21,377)	3,335,410
<b>Total at Historical Cost</b>	<b>10,394,935</b>	<b>70,568</b>	<b>(217,265)</b>	<b>10,248,238</b>
<b>Less: Accumulated Depreciation and Amortization</b>	<b>(8,049,142)</b>	<b>(470,807)</b>	<b>113,657</b>	<b>(8,406,292)</b>
<b>Capital Assets, Net</b>	<b>\$ 2,345,793</b>	<b>\$ (400,239)</b>	<b>\$ (103,608)</b>	<b>\$ 1,841,946</b>

Depreciation and amortization expense amounted to \$519,736 and \$470,807 for the years ended June 30, 2022 and 2021, respectively.

### Note 6. Investment in PH Holdings, LLC

At July 1, 2020, UMG held less than a 20% investment interest in PH Holdings, LLC, which amounted to \$2,531,213, and accounted for the investment under the cost method. In September 2020, UMG received \$9,105,688 for the distribution of the indemnity escrow related to the 2018 sale of PH Holdings, LLC's interest in certain entities to United Healthcare and cancellation of UMG's interest in PH Holdings, LLC, reducing UMG's investment interest to \$0- as of June 30, 2021. On August 26, 2021, UMG received a final distribution of \$48,897 upon dissolution of PH Holdings, LLC.

# LSU HEALTHCARE NETWORK

## Notes to the Financial Statements

### Note 7. Leases

The following table presents the components of LSUHN's right of use assets and liabilities related to leases and their classification in the statements of net position at June 30, 2022 and 2021:

Component of Lease Balances	Classification in Statements of Net Position	June 30, 2022	June 30, 2021
Right of Use Assets	Other Assets	<u>\$ 3,847,054</u>	<u>\$ 5,696,170</u>
Liabilities			
Lease Liabilities			
Current	Current Liabilities	<u>\$ 1,456,930</u>	<u>\$ 1,918,289</u>
Long-Term	Long-Term Liabilities	<u>2,197,678</u>	<u>3,654,608</u>
<b>Total Lease Liabilities</b>		<u><b>\$ 3,654,608</b></u>	<u><b>\$ 5,572,897</b></u>

Lease expense of \$1,700,019 and \$1,849,116 is recorded in general and administrative expenses in the statements of revenues, expenses, and changes in net position for the years ended June 30, 2022 and 2021, respectively. There were no variable lease expenses. The weighted average lease term of right of use assets is 4.24 years and the weighted average discount rate is 0.29%, as of June 30, 2022. Operating cash outflows from right of use assets were \$1,933,559 and \$1,836,929 for the years ended June 30, 2022 and 2021, respectively.

Future maturities of lease liabilities at June 30, 2022 are presented in the following table:

Year Ending June 30,	Amount
2023	\$ 1,467,563
2024	1,210,429
2025	823,238
2026	<u>173,806</u>
Total Lease Payments	3,675,036
Less: Imputed Interest	<u>20,428</u>
Total Lease Obligations	3,654,608
Less: Current Obligations	<u>1,456,930</u>
<b>Long-Term Lease Obligations</b>	<u><b>\$ 2,197,678</b></u>

## LSU HEALTHCARE NETWORK

### Notes to the Financial Statements

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#### Note 8. 401(k) Plan

Beginning January 2012, LSUHN transitioned to a safe-harbor plan, whereby each year, participants may elect to contribute a percentage of their annual compensation to the plan, up to the maximum allowed by the Internal Revenue Code. Participants who have attained age 50 before the end of the plan year are eligible to make catch-up contributions. Participants may also contribute amounts representing distributions from other qualified defined benefit or contribution plans. The safe harbor matching contribution provides for an employer match equal to 100% of the participant's contribution to a maximum of 6% of the participant's compensation. At its discretion, LSUHN may make additional contributions up to 5% of the participant's compensation to the 401(k) plan for the benefit of participating employees. For the years ended June 30, 2022 and 2021, 401(k) plan expenses were \$269,244 and \$283,319, respectively.

#### Note 9. Concentrations

LSUHN provides services in New Orleans, Metairie, LaPlace, Baton Rouge, and Lafayette. LSUHN grants credit to its patients, some of whom are insured under third-party payor agreements. LSUHN routinely obtains assignment of, or is otherwise entitled to receive patients' benefits from Medicare, Medicaid, and other third-party payors.

The mix of receivables from its patients and third-party payors at June 30, 2022 and 2021 was as follows:

	<b>2022</b>	2021
Medicaid	<b>40 %</b>	44 %
Commercial	<b>25</b>	21
Medicare	<b>24</b>	24
Self-Pay	<b>11</b>	11
<b>Total</b>	<b>100 %</b>	100 %

UMG operates in the network for PHN, which is the manager for PHI, a Medicare Advantage HMO. PHN and PHI were acquired by United Healthcare in 2018. The network provides covered medical services under certain Medicare Advantage HMO, POS, and PPO plans; and it provides prescription drug plans to covered members located in southeast Louisiana.

As discussed in Note 1, UMG operates under a management services agreement with PHN. The management service and participation agreements require payments from PHN equivalent to the percentage of capitation revenue actuarially determined for the payment of medical claims, with no charges for management fees. The agreements stipulate that PHN is responsible for management services for the network. The amended agreements have been renewed through December 31, 2022.

## LSU HEALTHCARE NETWORK

### Notes to the Financial Statements

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#### **Note 9. Concentrations (Continued)**

Currently, all contracts between UMG and third-party payors are executed through PHN. UMG earned 100% of capitation revenue from PHI. PHI and PHN contract with LSUHN for Medicare and Medicaid Services under a Medicare Advantage contract.

Under the terms of the Medicare Advantage contract, PHN has agreed to provide medical services to Medicare enrollees in return for capitated payments. UMG offers membership under the products Choices 65, Choices Plus, Secure Health, Choices Platinum, and Choices Premium. The contract automatically renews for successive periods of one year unless written notice of intention not to renew is given. The contract has been renewed through December 31, 2022. Approximately 100% of PHN's revenue is earned under contracts for these products. A significant modification to, or termination of, this arrangement could have a material effect on UMG's results of operations and financial condition.

#### **Note 10. Malpractice Insurance Coverage**

The physicians contracted to LSUHN by LSUHSC are provided professional liability coverage by LSUHSC in accordance with the provisions of R.S. 40:1299.39 et seq. for the services provided under the Uniform Affiliation Agreement. These provisions provide the physician with coverage on malpractice claims up to \$500,000 per occurrence, which is the limit on medical malpractice claims under current state law. LSUHN maintains its own malpractice insurance with an outside third party to cover its licensed professionals not covered by LSUHSC. LSUHN also participates in the Louisiana Patient Compensation Fund.

#### **Note 11. Commitments and Contingencies**

LSUHN has certain other pending and threatened litigation and claims incurred in the ordinary course of business; however, management believes that the probable resolution of such contingencies will not exceed LSUHN's insurance coverage, and will not materially affect the financial position of LSUHN or the results of its operations.

LSUHN contracts with Acadiana Computer Systems (ACS) as a third-party billing company. The contract rate for net cash collections for ACS is 9.75% for contracted business and 5.0% for private business. Medicaid supplemental payments (UPL/FMP) are billed at the same rates but only up to \$500,000 during the contract's annual term.

On December 13, 2018, the Board of Directors resolved to provide the LSU School of Medicine \$20,500,000 for the renovation and development of faculty offices in the renovated Interim Louisiana Hospital. During the years ended June 30, 2022 and 2021, \$452,356 and \$12,000,000 has been contributed to the LSU School of Medicine to satisfy this commitment.

## LSU HEALTHCARE NETWORK

### Notes to the Financial Statements

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#### **Note 11. Commitments and Contingencies (Continued)**

In response to the economic impact of COVID-19, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was enacted by Congress and signed into law on March 27, 2020. The CARES Act established a variety of economic assistance provisions for businesses and individuals. Two of the programs were the Provider Relief Fund (PRF) and the Paycheck Protection Program (PPP). For the years ended June 30, 2022 and 2021, LSUHN received \$-0- and \$3,778,556, respectively, in Provider Relief Funds, which was distributed, in total, to LSUHSC.

Through the PPP, LSUHN obtained a loan totaling \$1,979,797. The loan and any related interest are forgivable if the proceeds are used for covered expenses and certain other requirements related to wage rates and maintenance of full-time equivalents. LSUHN applied for, and received, forgiveness of the entire principal of \$1,979,797 together with \$18,128 in interest from the Small Business Administration (SBA) in March 2021. The amount of loan forgiveness was reported as a component of non-operating income in 2021.

The SBA may undertake a review of a loan of any size during the six-year period following forgiveness or repayment of the loan. The review may include the loan forgiveness application, as well as whether LSUHN received the proper loan amount.

The coronavirus and actions taken to mitigate have had, and are expected to continue to have, an adverse impact on the global economies and financial markets, including the geographic area in which LSUHN operates.

#### **Note 12. Line of Credit**

On May 1, 2019, LSUHN executed an agreement allowing LSUHN to borrow up to \$20,500,000 collateralized by investments held by LSUHN. Any borrowings under this agreement bear interest at a variable rate unless LSUHN specifically requests a fixed rate. As of June 30, 2022, the outstanding balance was \$16,844,455, at an interest rate of 2.65%. This agreement expires April 30, 2023 but may be terminated by either party at any time.

# LSU HEALTHCARE NETWORK

## Notes to the Financial Statements

### Note 13. Combining Schedules

The following tables include condensed combining statements of net position and revenues, expenses, and changes in net position information for LSUHN and its active blended component units as of and for the year ended June 30, 2022 and 2021:

June 30, 2022	LSUHN and			Total
	LSUHN Billing	UMG	Eliminations	
Current Assets	\$ 15,520,052	\$ 8,233,405	\$ -	\$ 23,753,457
Capital Assets, Net	1,676,266	-	-	1,676,266
Other Assets	81,625,605	-	(7,525,221)	74,100,384
<b>Total Assets</b>	<b>\$ 98,821,923</b>	<b>\$ 8,233,405</b>	<b>\$ (7,525,221)</b>	<b>\$ 99,530,107</b>
<b>Total Liabilities</b>	<b>\$ 37,684,211</b>	<b>\$ 708,184</b>	<b>\$ -</b>	<b>\$ 38,392,395</b>
<b>Net Position</b>	<b>61,137,712</b>	<b>7,525,221</b>	<b>(7,525,221)</b>	<b>61,137,712</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 98,821,923</b>	<b>\$ 8,233,405</b>	<b>\$ (7,525,221)</b>	<b>\$ 99,530,107</b>
Operating Revenues	\$ 134,336,529	\$ 18,248,936	\$ -	\$ 152,585,465
Depreciation and Amortization	519,736	-	-	519,736
Other Operating Expenses	135,343,334	13,847,376	-	149,190,710
<b>Operating Income (Loss)</b>	<b>(1,526,541)</b>	<b>4,401,560</b>	<b>-</b>	<b>2,875,019</b>
<b>Non-Operating Revenues (Expenses)</b>	<b>(5,258,721)</b>	<b>12,200</b>	<b>(4,413,760)</b>	<b>(9,660,281)</b>
<b>Change in Net Position</b>	<b>\$ (6,785,262)</b>	<b>\$ 4,413,760</b>	<b>\$ (4,413,760)</b>	<b>\$ (6,785,262)</b>

June 30, 2021	LSUHN and			Total
	LSUHN Billing	UMG	Eliminations	
Current Assets	\$ 17,399,243	\$ 6,365,746	\$ -	\$ 23,764,989
Capital Assets, Net	1,841,946	-	-	1,841,946
Other Assets	90,057,172	-	(5,611,462)	84,445,710
<b>Total Assets</b>	<b>\$ 109,298,361</b>	<b>\$ 6,365,746</b>	<b>\$ (5,611,462)</b>	<b>\$ 110,052,645</b>
<b>Total Liabilities</b>	<b>\$ 41,375,387</b>	<b>\$ 754,284</b>	<b>\$ -</b>	<b>\$ 42,129,671</b>
<b>Net Position</b>	<b>67,922,974</b>	<b>5,611,462</b>	<b>(5,611,462)</b>	<b>67,922,974</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 109,298,361</b>	<b>\$ 6,365,746</b>	<b>\$ (5,611,462)</b>	<b>\$ 110,052,645</b>
Operating Revenues	\$ 132,356,729	\$ 17,421,348	\$ -	\$ 149,778,077
Depreciation and Amortization	470,807	-	-	470,807
Other Operating Expenses	132,806,998	14,476,995	-	147,283,993
<b>Operating Income (Loss)</b>	<b>(921,076)</b>	<b>2,944,353</b>	<b>-</b>	<b>2,023,277</b>
<b>Non-Operating Revenues (Expenses)</b>	<b>12,483,028</b>	<b>6,575,710</b>	<b>(9,520,063)</b>	<b>9,538,675</b>
<b>Change in Net Position</b>	<b>\$ 11,561,952</b>	<b>\$ 9,520,063</b>	<b>\$ (9,520,063)</b>	<b>\$ 11,561,952</b>

## LSU HEALTHCARE NETWORK

### Notes to the Financial Statements

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#### **Note 14. Change in Accounting Principle and Restatement**

As emphasized in the Independent Auditor's Report, as well as mentioned in Note 1, LSUHN adopted GASB Statement No. 87, *Leases*. The adoption resulted in a restatement of the financial statements as of and for the year ended June 30, 2021. The impact of adopting GASB No. 87 to the 2021 financial statements was an increase in other assets of \$5,696,170 and an increase in total liabilities of \$5,572,897. Net position increased by \$123,273 as a result of a decrease in other operating expenses.

#### **Note 15. Recently Issued Accounting Principles Not yet Adopted**

In May 2020, the GASB issued Statement 96 (GASB 96), *Subscription-Based Information Technology Arrangements*. The objective of GASB 96 is to provide guidance on the accounting and financial reporting for subscription-based information on the accounting and financial reporting for subscription-based information technology arrangements for government end users. The requirements of GASB 96 are effective for fiscal years beginning after June 15, 2022. Management is evaluating the potential effect of adoption on LSUHN's financial statements.

#### **Note 16. Subsequent Events**

Management has evaluated subsequent events through September 21, 2022, the date that the financial statements were available to be issued, and has determined that no events have occurred that require disclosure in these financial statements.

**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**

To the Board of Directors of  
Louisiana State University School of Medicine in  
New Orleans Faculty Group Practice  
d/b/a LSU Healthcare Network

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 State University School of Medicine in New Orleans Faculty Group Practice, a Louisiana non-profit corporation, d/b/a LSU Healthcare Network (LSUHN), as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise LSUHN's basic statements, and have issued our report thereon dated September 21, 2022.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audits of the financial statements, we considered LSUHN'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of LSUHN's internal control. Accordingly, we do not express an opinion on the effectiveness of LSUHN'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 or significant deficiencies may exist that were not identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether LSUHN's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item Audit Finding 2022-01.

**LSUHN's Response to Findings**

Government Auditing Standards requires the auditor to perform limited procedures in response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. LSUHN's response was not subjected to the 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. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



A Professional Accounting Corporation

Metairie, LA

September 21, 2022

January 9, 2023 for Finding 2022-01

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors  
Louisiana State University School of Medicine in  
New Orleans Faculty Group Practice  
d/b/a LSU Healthcare Network

**Report on Compliance for Each Major Federal Program**

**Opinion on Each Major Federal Program**

We have audited Louisiana State University School of Medicine in New Orleans Faculty Group Practice, a Louisiana non-profit corporation, d/b/a LSU Healthcare Network's (LSUHN) compliance with the types of compliance requirements identified as subject to the audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of LSUHN's major federal programs for the year ended June 30, 2022. LSUHN's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, LSUHN complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

**Basis for Opinion on Each Major Federal Program**

We conducted our audit of compliance in accordance with auditing standards accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of LSUHN and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of LSUHN's compliance with the reliance requirements referred to above.

### **Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to LSUHN's federal programs.

### **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on LSUHN's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about LSUHN's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding LSUHN's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of LSUHN's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of LSUHN's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control Over Compliance**

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



A Professional Accounting Corporation

Metairie, LA  
September 21, 2022  
January 9, 2023

**LSU HEALTHCARE NETWORK  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2022**

<b>Federal Grantor/Pass-Through Grantor Program Title</b>	<b>Assistance Listing Number</b>	<b>Federal Expenditures</b>
<b><u>U.S. Department of Health and Human Services</u></b>		
COVID-19 - Provider Relief Fund	93.498	\$ 3,476,831
<b>Total U.S. Department of Health and Human Services</b>		<u>3,476,831</u>
<b><u>U.S. Department of Homeland Security</u></b>		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	<u>22,500</u>
<b>Total U.S. Department of Homeland Security</b>		<u>22,500</u>
<b>Total Expenditures and Federal Awards</b>		<u><u>\$ 3,499,331</u></u>

**LSU HEALTHCARE NETWORK**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2022**

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**Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the SEFA) includes the federal grant activity of Louisiana State University School of Medicine in New Orleans Faculty Group Practice, a Louisiana non-profit corporation, d/b/a LSU Healthcare Network (LSUHN) under programs of the federal government for the year ended June 30, 2021, and is presented on the full accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of LSUHN, it is not intended to and does not present the financial position, changes in net assets, or cash flows of LSUHN.

**Note 2. Relationship to Financial Statements**

Grant revenues are included in the statement of revenues, expenses, and changes in net position for the year ended June 30, 2022 as follows:

Schedule of Expenditures of Federal Awards (SEFA)	\$ 3,476,831
2021 COVID-19 - Provider Relief Funds (Not Reported on SEFA)	<u>(3,476,831)</u>
<b>Total Grant Revenue, as reported on the Statement of Revenues, Expenses, and Changes in Net Position</b>	<b><u>\$ -</u></b>

LSUHN received COVID-19 Provider Relief Funds during the years ended June 30, 2022 and 2021, in the amounts of \$-0- and \$3,476,831, respectively. Based on compliance requirements by the U.S. Department of Health and Human Services, payments received from January 1, 2021 to June 30, 2021 have a deadline to use funds of June 30, 2022 and are reported on the SEFA for the year ended June 30, 2022.

**LSU HEALTHCARE NETWORK**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2022**

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**A. Summary of Auditor's Results**

Financial Statements

- |  |               |
|--|---------------|
| 1) Type of auditor's report  | Unmodified    |
| 2) Internal control over financial reporting and compliance and other matters    |               |
| a) Material weaknesses identified?   | No            |
| b) Significant deficiencies identified not considered to be material weaknesses? | None reported |
| 3) Noncompliance material to the financial statements noted?                     | No            |

Federal Awards

- |   |               |
|---|---------------|
| 4) Internal control over major programs   |               |
| a) Material weaknesses identified?  | No            |
| b) Significant deficiencies identified not considered to be material weaknesses?                          | None reported |
| 5) Type of auditor's report issued on compliance for major programs                                       | Unmodified    |
| 6) Audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? | No            |
| 7) Identification of major programs:  |               |
| 93.498 - Provider Relief Fund   |               |
| 8) Dollar threshold used to distinguish between Type A and B programs                                     | \$750,000     |
| 9) Auditee qualified as a low-risk auditee?   | No            |

**B. Findings Related to the Financial Statements**

2022-01 – Timely submission of the audit report to the Louisiana Legislative Auditor.

Criteria and Condition

Louisiana law requires filing the completed audit report to its legislative auditor no later than six months after an entities period end audit.

**LSU HEALTHCARE NETWORK**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2022**

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Cause

The entity agreed with its independent auditor that the independent auditor would upload its completed audit within the required timeframe. The audit was issued on September 21, 2022; however, the independent auditor did not uphold their agreed to responsibility. The independent auditor initially uploaded into the legislative auditor's portal in January 2023.

Effect

The independent auditor had to modify its original report on internal control over financial reporting and on compliance and this schedule of findings and questioned costs to reflect this violation of law.

Questioned Costs

None

Recommendation

The independent auditor and management will set a date of September 30<sup>th</sup> as the deadline for uploading the auditor's report to the legislative auditor's portal. This date will be added to both the auditor and management's Outlook calendar.

View of Responsible Official and Planned Corrective Action

We agree with the recommendation and will submit an Outlook invitation to the auditor for a September 30<sup>th</sup> upload into the legislative auditor's portal for all future audit engagements.

**C. Findings and Questioned Costs Related to Major Federal Award Programs**

None.

**LSU HEALTHCARE NETWORK**  
**Schedule of Prior Audit Findings and Questioned Costs**  
**For the Year Ended June 30, 2022**

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**Findings Related to the Financial Statements**

None.

**Findings and Questioned Costs Related to Major Federal Award Programs**

None.