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

Audits of Consolidated Financial Statements

December 31, 2019 and 2018

LAPORTE
CPAs & BUSINESS ADVISORS

## Contents

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# Independent Auditor's Report

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

## Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Louisiana Hospital Association and Subsidiary and Louisiana Hospital Association Research and Education Foundation (collectively, the Association) which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

## Management's Responsibility for the Consolidated Financial Statements

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

## Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

**Opinion**
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Louisiana Hospital Association and Subsidiary and Louisiana Hospital Association Research and Education Foundation as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**
Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating statements of activities as of December 31, 2019 and December 31, 2018, are presented for the purpose of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***
In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2020, on our consideration of Louisiana Hospital Association and Subsidiary and Louisiana Hospital Association Research and Education Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Louisiana Hospital Association and Subsidiary and Louisiana Hospital Association Research and Education Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Louisiana Hospital Association and Subsidiary and Louisiana Hospital Association Research and Education Foundation's internal control over financial reporting and compliance.

LaPorte

A Professional Accounting Corporation

Metairie, LA
June 12, 2020

**LOUISIANA HOSPITAL ASSOCIATION AND SUBSIDIARY and**
**LOUISIANA HOSPITAL ASSOCIATION RESEARCH AND EDUCATION FOUNDATION**
**Consolidated Statements of Financial Position**
**December 31, 2019 and 2018**

| | 2019 | 2018 |
|---|---|---|
| **Assets** | | |
| Cash and Cash Equivalents | **$ 6,804,696** | $ 6,001,236 |
| Cash - Restricted, Contracts, and Grants | **260,724** | 517,595 |
| Accounts Receivable, Net | **2,198,075** | 2,136,295 |
| Accounts Receivable - Contracts and Grants | **368,245** | 428,734 |
| Due (to) from Affiliates | **(515)** | 4,380 |
| Prepaids and Other Assets | **186,964** | 176,291 |
| Investment in Affiliate | **554,900** | 493,618 |
| Investments | **12,231,943** | 10,738,295 |
| Property and Equipment, Net | **1,521,684** | 1,523,939 |
| **Total Assets** | **$ 24,126,716** | $ 22,020,383 |
| **Liabilities** | | |
| Accounts Payable | **$ 48,040** | $ 38,533 |
| Treasury Payable | **449,893** | 759,567 |
| Deferred Revenue | **4,679,795** | 4,489,251 |
| Other Accrued Liabilities | **755,903** | 680,892 |
| Deferred Tax Liability | **80,898** | 85,460 |
| **Total Liabilities** | **6,014,529** | 6,053,703 |
| **Net Assets** | | |
| Net Assets Without Donor Restrictions | **18,112,187** | 15,966,680 |
| **Total Net Assets** | **18,112,187** | 15,966,680 |
| **Total Liabilities and Net Assets** | **$ 24,126,716** | $ 22,020,383 |

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

**LOUISIANA HOSPITAL ASSOCIATION AND SUBSIDIARY and**
**LOUISIANA HOSPITAL ASSOCIATION RESEARCH AND EDUCATION FOUNDATION**
**Consolidated Statements of Activities**
**For the Years Ended December 31, 2019 and 2018**

| | 2019 | 2018 |
|---|---|---|
| **Revenues, Gains, and Other Support** | | |
| Institutional Revenue | $ 4,348,323 | $ 4,338,864 |
| Non-Institutional Revenue | 246,081 | 236,058 |
| Educational Activities | 1,096,934 | 997,909 |
| Equity in Income (Loss) of Affiliate | 61,282 | (42,394) |
| Investment Return, Net | 1,512,507 | (347,275) |
| Management Fees | 295,458 | 389,326 |
| HHS Grant - Direct Revenue | 620,464 | 604,933 |
| HHS Grant - Indirect Revenue | 71,641 | 69,652 |
| HIIN Contract - Direct Revenue | 956,431 | 1,836,413 |
| HIIN Contract - Indirect Revenue | 101,004 | 125,785 |
| Other Contract and Grant Revenue | 36,000 | 10,000 |
| Other Revenue | 70,654 | 80,925 |
| **Total Revenues, Gains, and Other Support** | 9,416,779 | 8,300,196 |
| **Expenses** | | |
| Program Expenses | | |
| Member Support | | |
| Salaries, Wages, and Benefits | 3,567,786 | 3,492,961 |
| Educational Activities | 569,971 | 577,818 |
| Contract and Grant Expense | 5,000 | 3,000 |
| HHS Grant Expenses | | |
| Salaries, Wages, and Benefits | 396,250 | 393,416 |
| Legal and Professional Fees | 58,688 | 178,622 |
| Other Expenses | 50,483 | 1,822 |
| Conferences | 69,092 | 29,706 |
| Information Technology | 33,381 | 794 |
| Travel | 12,570 | 573 |
| HIIN Contract Expenses | | |
| Other Expenses | 108,789 | 440,248 |
| Salaries, Wages, and Benefits | 359,075 | 391,750 |
| Legal and Professional Fees | - | 304,926 |
| Conferences | 140,051 | 172,115 |
| Travel | 24,439 | 51,106 |
| Information Technology | - | 4,660 |
| Other Contract and Grant Expenses | 149,323 | 113,064 |
| Physicians Engagement Development Program | 40,000 | 40,000 |
| Supporting Expenses | | |
| Building, Office, and Equipment | 484,268 | 465,552 |
| General and Administrative | 345,164 | 300,609 |
| Insurance | 63,018 | 64,431 |
| Professional Fees | 336,118 | 478,819 |
| Public Relations | 61,774 | 430,248 |
| Other Expenses | 257,728 | 152,051 |
| Bad Debt Expense | 10,161 | 74,227 |
| Depreciation | 128,143 | 131,099 |
| **Total Expenses** | 7,271,272 | 8,293,617 |
| **Change in Net Assets** | 2,145,507 | 6,579 |
| **Net Assets, Beginning of Year** | 15,966,680 | 15,960,101 |
| **Net Assets, End of Year** | $ 18,112,187 | $ 15,966,680 |

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

**LOUISIANA HOSPITAL ASSOCIATION AND SUBSIDIARY and**
**LOUISIANA HOSPITAL ASSOCIATION RESEARCH AND EDUCATION FOUNDATION**
**Consolidated Statements of Cash Flows**
**For the Years Ended December 31, 2019 and 2018**

| | 2019 | 2018 |
|---|---|---|
| **Cash Flows from Operating Activities** | | |
| Change in Net Assets | **$ 2,145,507** | $ 6,579 |
| Adjustments to Reconcile Change in Net Assets | | |
| to Net Cash Provided by (Used in) Operating Activities | | |
| Depreciation | **128,143** | 131,099 |
| Equity in Loss (Income) of Affiliate | **(61,282)** | 42,391 |
| Net Realized and Unrealized (Gains) Losses on Investments | **(1,282,261)** | 63,172 |
| Bad Debt Expense | **10,161** | 74,227 |
| Deferred Tax Benefit | **(4,562)** | (4,561) |
| (Increase) Decrease in Operating Assets | | |
| Cash - Restricted | **256,871** | 147,349 |
| Accounts Receivable | **(71,941)** | (330,302) |
| Accounts Receivable - Contracts and Grants | **60,489** | (72,677) |
| Due from Affiliates | **4,895** | 4,007 |
| Prepaid and Other Assets | **(10,673)** | (4,127) |
| Increase (Decrease) in Operating Liabilities | | |
| Accounts Payable | **9,507** | 14,483 |
| Due to Affiliates | **-** | (429) |
| Treasury Payable | **(309,674)** | (607,187) |
| Deferred Revenue | **190,544** | 66,942 |
| Other Accrued Liabilities | **75,011** | 4,306 |
| **Net Cash Provided by (Used in) Operating Activities** | **1,140,735** | (464,728) |
| **Cash Flows from Investing Activities** | | |
| Proceeds from Sales of Investments | **6,562,995** | 5,417,501 |
| Purchase of Investments | **(6,774,383)** | (8,182,441) |
| Proceeds from Distributions of Earnings in ShareCor, LLC | **-** | 125,000 |
| Purchases of Property and Equipment | **(125,888)** | (57,490) |
| **Net Cash Used in Investing Activities** | **(337,275)** | (2,697,430) |
| **Increase (Decrease) in Cash and Cash Equivalents** | **803,460** | (2,592,155) |
| **Cash and Cash Equivalents, Beginning of Year** | **6,001,236** | 8,593,391 |
| **Cash and Cash Equivalents, End of Year** | **$ 6,804,696** | $ 6,001,236 |
| **Supplemental Disclosure of Cash Flow Information** | | |
| Cash Paid During the Year for Taxes | **$ 12,491** | $ 44,200 |

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

## Note 1. Organization

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

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

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

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

LHA is a not-for-profit association representing hospitals and healthcare systems throughout the state. LHA carries out its mission by providing services and resources to members through advocacy, education, research, representation, and communication. It is governed by a board of trustees whose members are elected annually by the assembly of members. The Foundation was organized for educational and research purposes. The Foundation's board is comprised mainly of members of the board of trustees of LHA.

LHA bills and collects annual membership fees for itself and for the American Hospital Association (AHA). The AHA compensates LHA for billing and collecting AHA dues from Louisiana members. Compensation from the AHA and LHA dues are recognized as revenue in the year covered by the membership dues.

The Foundation is organized for educational and research purposes, and in connection therewith to receive and administer funds and property for educational purposes, including, without limitation: (1) the instruction or training of individuals and groups, by means of discussion groups, forums, panels, lectures, or similar programs, and by means of courses of instruction by correspondence, for the purpose of improving or developing capabilities in the field of hospital and related health service institution management and administration; (2) research into the field of hospital and related health service institution management and administration for the purpose of improving the scope and content of such instruction and training and the dissemination to the public generally of information and data obtained as a result of such research and to engage in such activities as may be consistent with the foregoing; and (3) administration and management of externally funded grants which purpose shall benefit hospitals with related health services, and/or public health, including provision or improvement of resources and capabilities of Louisiana Hospital Association members to execute their missions. Programs include the administration of HHS Grant and administration of HIIN Contract.

## Note 2. Summary of Significant Accounting Policies

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

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

**Fair Values of Financial Instruments**
The carrying values of the Association's financial instruments, including current assets and current liabilities, approximate fair value. Under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurement*, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

FASB ASC 820, *Fair Value Measurement,* establishes a fair value hierarchy for inputs used in measuring fair market value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities as of the reporting date. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2 Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly, as of the reporting date.

Level 3 Valuations based on inputs that are unobservable and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement (see Note 12).

## Note 2. Summary of Significant Accounting Policies (Continued)

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

*Equity Securities*: The fair value of investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers.

*Mutual Funds*: Valued at the daily closing price as reported by the fund. Mutual funds held by the Association are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Association are deemed to be actively traded.

*Fixed Income Investments*: The fair value of the bond portfolio is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers.

*Alternative Investments*: One limited partnership investment within alternative investments is valued based on the NAV per share, without further adjustment. NAV per share is based upon the fair value of the underlying investments. Other alternative investments are valued using the NAV reported by the portfolio funds, which management believes approximates fair value. These NAVs are the prices used to execute trades with these portfolio funds.

### Cash and Cash Equivalents

For purposes of the consolidated statements of financial position and the consolidated statements of cash flows, the Association considers all short-term cash deposits with maturities of three months or less to be cash and cash equivalents. This, however, excludes money market accounts within its investment portfolio that are to be reinvested.

### Accounts Receivable

As mentioned below, the Association adopted ASU 2014-09. With that, the Association considers most estimated uncollectable accounts as implicit price concessions that are a direct reduction of operating revenues. As of and for the year ended December 31, 2018, the Association established an allowance for doubtful accounts based on historical experience and any specific collection issues that have been identified. Uncollectible receivables were written off against the allowance for doubtful accounts when the association determines the allowance will not be collected. As of December 31, 2019 and 2018, the allowance was $0 and $44,426, respectively.

### Investment in Affiliate

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

## Note 2. Summary of Significant Accounting Policies (Continued)

### Investments

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

### Property and Equipment

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

| | |
|---|---|
| Buildings | 35 - 39 Years |
| Furniture and Office Equipment | 3 - 15 Years |

Additions, improvements, renewals, and expenditures for maintenance that add materially to the productive capacity or extend the lives of assets are capitalized. Other expenditures for maintenance and repairs are charged against income. Upon retirement or disposal of an asset, the asset cost and related accumulated depreciation is removed, and any gain or loss on such a transaction is recorded as other income or expense.

### Income Taxes

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

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which whose temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Association recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

### Uncertain Tax Positions

Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. The Association believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the consolidated financial statements.

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

## Note 2. Summary of Significant Accounting Policies (Continued)

### Deferred Revenue

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

### Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, the Association reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Net assets without donor restrictions include those net assets available for use in general operations and not subject to donor restrictions. Net assets with donor restrictions are those net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. At December 31, 2019 and 2018, all net assets were without donor restrictions.

### Revenue Recognition

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

The majority of the Association's revenue is derived from annual membership dues, registration fees for conferences, seminars and webinars, and cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Revenues are recognized when the Association has incurred expenditures in compliance with specific contract or grant provisions. The Association, in conjunction with its cost-reimbursable federal and state contracts and grants, has recognized revenue of approximately $367,000 for costs incurred and for which funds have not been received at December 31, 2019. For 2018, those costs incurred for which funds have not been received total approximately $424,000. These costs in excess of receipts are recorded as accounts receivable on the statements of financial position.

## Note 2. Summary of Significant Accounting Policies (Continued)

**Newly Adopted Accounting Standard**
In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, to supersede nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity is expected to be entitled for those goods or services. ASU 2014-09 defines a five-step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than required under existing U.S. GAAP, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each performance obligation. The Association has undertaken a comprehensive analysis of the impact of the new standard based on a review of the contractual terms of its principal revenue streams with the primary focus being to understand whether the timing and amount of revenue recognized could differ under ASU 2014-09. Changes in accounting policies resulting from ASU 2014-09 have been applied using the modified retrospective method of application to contracts that were not complete as of the date of initial application. The implementation did not result in any adjustment to net assets.

For its annual membership dues, the Association's revenue coincides with the beginning of each calendar year with fulfillment of all contractual obligations at the end of each calendar year. For its registration fees for conferences, seminars and webinars, the Association's point of recognizing revenue is the actual occurrence of the conferences, seminars and webinars which are either range in time from one day up to a few days. The Association's point of recognizing revenue is dependent upon the contract terms, the transfer of risks and rewards and the transfer of control which coincides with the fulfilment of performance obligations under the terms of the contract at a point in time. As such, the adoption of ASU 2014-09 had no material impact in respect of timing and amount of revenue recognized by the Association. Under ASU 2014-09, most estimated uncollectable amounts due are generally considered implicit price concessions that are a direct reduction to operating revenues, with a corresponding reduction in the recorded receivable amount.

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

## Note 3. Restricted Cash

Approximately $261,000 and $518,000 of cash was restricted as of December 31, 2019 and 2018, respectively, relating to grants and contracts awarded to the Foundation. Corresponding liabilities are included in total within treasury payable on the consolidated statements of financial position.

## Note 4. Property and Equipment

Property and equipment consist of the following as of December 31, 2019 and 2018:

| | **2019** | 2019 |
|---|---|---|
| Land | **$ 389,406** | $ 389,406 |
| Buildings | **2,290,068** | 2,260,379 |
| Furniture and Office Equipment | **1,261,982** | 1,165,783 |
| | **3,941,456** | 3,815,568 |
| Less: Allowance for Depreciation and Amortization | **2,419,772** | 2,291,629 |
| **Property and Equipment, Net** | **$ 1,521,684** | $ 1,523,939 |

Depreciation expense was approximately $128,000 and $131,000 for the years ended December 31, 2019 and 2018, respectively.

## Note 5. Investment in Affiliate

The following is pertinent financial information for ShareCor, LLC as of December 31, 2019 and 2018:

| | **2019** | 2018 |
|---|---|---|
| Balance Sheet | | |
| Assets | **$ 2,208,979** | $ 1,388,595 |
| Liabilities | **$ 1,104,683** | $ 401,359 |
| Equity | **1,104,296** | 987,236 |
| | **$ 2,208,979** | $ 1,388,595 |
| Income Statement | | |
| Revenues | **$ 938,118** | $ 912,903 |
| Expenses | **821,060** | 997,690 |
| Net Income (Loss) | **117,058** | (84,787) |
| | **50%** | 50% |
| **LHA's Share of Net Income (Loss)** | **$ 58,529** | $ (42,394) |

## Note 6. Investments

The cost and fair values of investments at December 31, 2019 and 2018, are as follows:

| **December 31, 2019** | **Fair Value** | **Cost** |
|---|---|---|
| **Alternative Investment** | **$ 176,232** | **$ 170,300** |
| **Cash / Money Market** | **803,066** | **803,066** |
| **Equities** | **5,869,187** | **5,007,984** |
| **Fixed Income** | **5,383,457** | **5,288,556** |
| **Total** | **$ 12,231,943** | **$ 11,269,906** |

| December 31, 2018 | Fair Value | Cost |
|---|---|---|
| Alternative Investments | $ 384,360 | $ 398,261 |
| Cash / Money Market | 578,501 | 578,501 |
| Equities | 4,338,843 | 4,390,122 |
| Fixed Income | 5,436,591 | 5,465,219 |
| Total | $ 10,738,295 | $ 10,832,103 |

## Note 7. Employee Benefit Plan and Other Employee Benefits

LHA sponsors a multiple-employer 401(k) retirement plan. LHA contributed up to 8.5% of each employee's compensation to the 401(k) retirement plan for the years ended December 31, 2019 and 2018, respectively. LHA made contributions of approximately $215,000 and $190,000, to the 401(k) retirement plan during 2019 and 2018, respectively.

LHA has a paid time off (PTO) policy, which provides PTO benefits to employees based on classification and length of service. During 2019 and 2018, employees were allowed to carry over a maximum of seventy-five percent of the total current annual PTO earnings. Upon termination of employment or retirement, the unused PTO benefits are payable at a maximum amount equal to seventy-five percent of the total current annual PTO earning capacity. LHA has accrued approximately $153,000 and $147,000, as of December 31, 2019 and 2018, respectively, in accordance with the provisions of this policy. The amount accrued is included as a component of other accrued liabilities on the consolidated statements of financial position.

The Association provides extended illness benefits to employees based on a predetermined accrued hourly amount per pay period. An extended illness benefit is defined as an absence in excess of five (5) consecutive days for medical reasons. Employees were allowed a maximum accumulation of 120 days of extended illness benefits for the years ended December 31, 2019 and 2018, respectively. These benefits are not payable upon termination or retirement, and therefore are not accrued in accordance with FASB ASC 710.

## Note 8. Related Party Transactions

The Association performs services, conducts educational programs and conferences, and administers grants and contracts. Substantially all of the revenue, related expenses, accounts receivable, and accounts payable from these activities results from transactions with its owner-members.

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

LHA provides management and administrative support services to both ShareCor, LLC and the Council. Management fee revenue recorded by LHA from ShareCor totaled $36,000 and $100,000 for 2019 and 2018, respectively. Accounting fee revenue recorded by LHA in 2019 and 2018 from ShareCor totaled $29,000 and $30,000, respectively. Management fee revenue recorded by LHA from the Council totaled $190,000 and 220,000 for 2019 and 2018, respectively. Accounting fee revenue recorded by LHA from the Council totaled $21,000 and $20,000 for 2019 and 2018, respectively. Management fee revenues, accounting fee revenues and contract revenues are included within management fees on the consolidated statements of activities.

## Note 9. Income Taxes and Deferred Income Taxes

For the years ended December 31, 2019 and 2018, LHAMC's federal and state income tax expense totaled approximately $73,000 and $25,000, respectively. LHAMC's deferred tax benefits for the years ended December 31, 2019 and 2018 were approximately $4,600 for each of the years. The net effect of the current tax expense and the deferred tax benefit are included in other expenses on the Association's consolidated statements of activities.

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

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

LHAMC's effective tax rate is different from what would be expected if the statutory rates were applied to net income before income taxes primarily because of timing differences related to how property and equipment are depreciated for tax purposes as compared to U.S. GAAP, as well as permanent differences related to the non-deductibility of contributions.

## Note 10. Leases

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

Minimum future rental payments under non-cancelable operating leases as of December 31, 2019, are as follows:

| December 31, | Amount |
|---|---|
| 2020 | $ 35,112 |
| 2021 | 34,473 |
| 2022 | 11,384 |
| **Total** | $ 80,969 |

The Association's expense for both the lease and maintenance of the above copiers totaled approximately $62,000 and $63,000, for the years ended December 31, 2019 and 2018, respectively.

## Note 11. Risk Concentration

The Association periodically maintains cash deposits in accounts with a major financial institution in excess of federally insured limits. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per financial institution. At December 31, 2019 and 2018, the Association had approximately $1,226,000 and $3,048,000, respectively, in excess of the FDIC insured limit. The Association has not experienced any losses and does not believe that a significant credit risk exists as a result of this practice.

## Note 12. Fair Value Measurements

The Association's assets and liabilities recorded at fair value have been categorized based upon a fair value hierarchy in accordance with the provisions of FASB ASC 820, *Fair Value Measurement*. See Note 2 for a description of the Association's policies and valuation techniques.

## Note 12. Fair Value Measurements (Continued)

The valuation of the Association's assets and liabilities measured at fair value on a recurring basis at December 31, 2019, are as follows:

| Assets | Level 1 | Level 2 | Level 3 | Net Balance |
|---|---|---|---|---|
| Alternative Investment | $ 86,518 | $ - | $ 89,714 | $ 176,232 |
| Cash / Money Market | 803,066 | - | - | 803,066 |
| Equities | 5,869,187 | - | - | 5,869,187 |
| Fixed Income | 3,593,608 | 1,789,849 | - | 5,383,457 |
| **Total** | $ 10,352,379 | $ 1,789,849 | $ 89,714 | $ 12,231,943 |

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

| Assets | Level 1 | Level 2 | Level 3 | Net Balance |
|---|---|---|---|---|
| Alternative Investments | $ 271,678 | $ - | $ - | $ 271,678 |
| Cash / Money Market | 578,501 | - | - | 578,501 |
| Equities | 4,338,843 | - | - | 4,338,843 |
| Fixed Income | 3,206,689 | 2,229,902 | - | 5,436,591 |
| Investments Measured at NAV per Share* | - | - | - | 112,682 |
| **Total** | $ 8,395,711 | $ 2,229,902 | $ - | $ 10,738,295 |

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

Gains and losses (realized and unrealized) included in changes in net assets for the periods above are reported in investment return, net in the consolidated statement of activities.

**Changes in Fair Value Levels**

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

The Association evaluates the significance of transfers between levels based upon the nature of the investment and size of the transfer relative to total investment balance. For the years ended December 31, 2019 and 2018, there were no significant transfers in or out of Level 3.

## Note 13. Treasury Payable

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

## Note 14. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, comprise the following:

| | **2019** | 2018 |
|---|---|---|
| Cash and Cash Equivalents | **$ 6,804,696** | $ 6,001,236 |
| Accounts Receivable, Net | **2,198,075** | 2,136,295 |
| Due (to) from Affiliates | **(515)** | 4,380 |
| Investments | **12,231,943** | 10,738,295 |
| **Total** | **$ 21,234,199** | $ 18,880,206 |

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

## Note 15. Revenues

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

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

## Note 15. Revenues (Continued)

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

## Note 16. Subsequent Events

Management evaluated subsequent events through the date the consolidated financial statements were available to be issued, June 12, 2020, and determined that the following event occurred that requires disclosure.

Subsequent to the balance sheet date of December 31, 2019, the COVID19 pandemic rapidly escalated in the State of Louisiana.

In response to this pandemic, the United Stated Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act into law on March 27, 2020, in an effort to provide relief to the American people and businesses resulting from the public health and economic impacts of COVID19.

The CARES Act includes funding through the Paycheck Protection Program loan program that could be forgiven under guidelines being finalized by the Small Business Administration and the Department of the Treasury. Both LHA and the Foundation applied for and had loans funded. As of the date of this report, June 12, 2020, LHA has a loan balance of $459,055 with the Foundation having a loan balance of $73,188.

No other subsequent events occurring after June 12, 2020 have been evaluated for inclusion in these financial statements.

## SUPPLEMENTARY INFORMATION

# LOUISIANA HOSPITAL ASSOCIATION AND SUBSIDIARY and
# LOUISIANA HOSPITAL ASSOCIATION RESEARCH AND EDUCATION FOUNDATION
## Consolidating Statement of Activities
## For the Year Ended December 31, 2019

| | Louisiana Hospital Association Consolidated | Louisiana Hospital Association Research and Education Foundation | Eliminations | Combined |
|---|---|---|---|---|
| **Revenues, Gains, and Other Support** | | | | |
| Institutional Revenue | $ 4,348,323 | $ - | $ - | $ 4,348,323 |
| Non-Institutional Revenue | 246,081 | - | - | 246,081 |
| Educational Activities | 1,096,934 | - | - | 1,096,934 |
| Equity in Income of Affiliate | 61,282 | - | - | 61,282 |
| Investment Return, Net | 1,489,274 | 23,233 | - | 1,512,507 |
| Management Fees | 381,858 | - | (86,400) | 295,458 |
| HHS Grant - Direct Revenue | - | 620,464 | - | 620,464 |
| HHS Grant - Indirect Revenue | - | 71,641 | - | 71,641 |
| HIIN Contract - Direct Revenue | - | 956,431 | - | 956,431 |
| HIIN Contract - Indirect Revenue | - | 101,004 | - | 101,004 |
| Other Contract and Grant Revenue | - | 36,000 | - | 36,000 |
| Other Revenue | 102,654 | - | (32,000) | 70,654 |
| **Total Revenues, Gains, and Other Support** | 7,726,406 | 1,808,773 | (118,400) | 9,416,779 |
| **Expenses** | | | | |
| Program Expenses | | | | |
| Member Support | | | | |
| Salaries, Wages, and Benefits | 3,567,786 | - | - | 3,567,786 |
| Educational Activities | 569,971 | - | - | 569,971 |
| Contract and Grant Expense | 5,000 | - | - | 5,000 |
| HHS Grant Expenses | | | | |
| Salaries, Wages, and Benefits | - | 396,250 | - | 396,250 |
| Professional Fees | - | 58,688 | - | 58,688 |
| Other Expenses | - | 50,483 | - | 50,483 |
| Conferences | - | 69,092 | - | 69,092 |
| Information Technology | - | 33,381 | - | 33,381 |
| Travel | - | 12,570 | - | 12,570 |
| HIIN Contract Expenses | | | | |
| Other Expenses | - | 108,789 | - | 108,789 |
| Salaries, Wages, and Benefits | - | 359,075 | - | 359,075 |
| Legal and Professional Fees | - | - | - | - |
| Conferences | - | 140,051 | - | 140,051 |
| Travel | - | 24,439 | - | 24,439 |
| Information Technology | - | - | - | - |
| Other Contract and Grant Expenses | - | 149,323 | - | 149,323 |
| Physicians Engagement Development Program | - | 40,000 | - | 40,000 |
| Supporting Expenses | | | | |
| Building, Office, and Equipment | 474,221 | 42,047 | (32,000) | 484,268 |
| General and Administrative | 236,276 | 108,888 | - | 345,164 |
| Insurance | 52,748 | 10,270 | - | 63,018 |
| Legal and Professional Fees | 313,931 | 22,187 | - | 336,118 |
| Management and Accounting Fees | - | 86,400 | (86,400) | - |
| Public Relations | 61,774 | - | - | 61,774 |
| Other Expenses | 257,728 | - | - | 257,728 |
| Bad Debt Expense | 10,161 | - | - | 10,161 |
| Depreciation | 120,639 | 7,504 | - | 128,143 |
| **Total Expenses** | 5,670,235 | 1,719,437 | (118,400) | 7,271,272 |
| **Change in Net Assets** | $ 2,056,171 | $ 89,336 | $ - | $ 2,145,507 |

See independent auditor’s report.

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

| | Louisiana Hospital Association Consolidated | Louisiana Hospital Association Research and Education Foundation | Eliminations | Combined |
|---|---|---|---|---|
| **Revenues, Gains, and Other Support** | | | | |
| Institutional Revenue | $ 4,338,864 | $ - | $ - | $ 4,338,864 |
| Non-Institutional Revenue | 236,058 | - | - | 236,058 |
| Educational Activities | 1,037,909 | - | (40,000) | 997,909 |
| Equity in (Loss) of Affiliate | (42,394) | - | - | (42,394) |
| Investment Return, Net | (341,976) | (5,299) | - | (347,275) |
| Management Fees | 489,326 | - | (100,000) | 389,326 |
| HHS Grant - Direct Revenue | - | 604,933 | - | 604,933 |
| HHS Grant - Indirect Revenue | - | 69,652 | - | 69,652 |
| HIIN Contract - Direct Revenue | - | 1,836,413 | - | 1,836,413 |
| HIIN Contract - Indirect Revenue | - | 125,785 | - | 125,785 |
| Other Contract and Grant Revenue | - | 10,000 | - | 10,000 |
| Other Revenue | 112,925 | - | (32,000) | 80,925 |
| **Total Revenues, Gains, and Other Support** | 5,830,712 | 2,641,484 | (172,000) | 8,300,196 |
| **Expenses** | | | | |
| Program Expenses | | | | |
| Member Support | | | | |
| Salaries, Wages, and Benefits | 3,492,961 | - | - | 3,492,961 |
| Educational Activities | 577,818 | - | - | 577,818 |
| Contract and Grant Expense | 3,000 | - | - | 3,000 |
| HHS Grant Expenses | | | | |
| Salaries, Wages, and Benefits | - | 393,416 | - | 393,416 |
| Professional Fees | - | 67,550 | - | 67,550 |
| Other Expenses | - | 67,860 | - | 67,860 |
| Conferences | - | 29,706 | - | 29,706 |
| Information Technology | - | 37,935 | - | 37,935 |
| Travel | - | 8,466 | - | 8,466 |
| HIIN Contract Expenses | | | | |
| Other Expenses | - | 440,248 | - | 440,248 |
| Salaries, Wages, and Benefits | - | 391,750 | - | 391,750 |
| Legal and Professional Fees | - | 304,926 | - | 304,926 |
| Conferences | - | 212,115 | (40,000) | 172,115 |
| Travel | - | 51,106 | - | 51,106 |
| Information Technology | - | 4,660 | - | 4,660 |
| Other Contract and Grant Expenses | - | 113,064 | - | 113,064 |
| Physicians Engagement Development Program | - | 40,000 | - | 40,000 |
| Supporting Expenses | | | | |
| Building, Office, and Equipment | 458,993 | 38,559 | (32,000) | 465,552 |
| General and Administrative | 240,242 | 60,367 | - | 300,609 |
| Insurance | 54,087 | 10,344 | - | 64,431 |
| Legal and Professional Fees | 472,121 | 6,698 | - | 478,819 |
| Management and Accounting Fees | - | 100,000 | (100,000) | - |
| Public Relations | 430,248 | - | - | 430,248 |
| Other Expenses | 152,051 | - | - | 152,051 |
| Bad Debt Expense | 74,227 | - | - | 74,227 |
| Depreciation | 123,711 | 7,388 | - | 131,099 |
| **Total Expenses** | 6,079,459 | 2,386,158 | (172,000) | 8,293,617 |
| **Change in Net Assets** | $ (248,747) | $ 255,326 | $ - | $ 6,579 |

See independent auditor’s report.

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# REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Louisiana Hospital Association and Subsidiary and Louisiana Hospital Association Research and Education Foundation (collectively, the Association), which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 12, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered the Association's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**
As part of obtaining reasonable assurance about whether the Association's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

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

LaPorte

A Professional Accounting Corporation

Metairie, LA
June 12, 2020

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

Independent Auditor's Report

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

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

We have audited Louisiana Hospital Association Research and Education Foundation's (the Foundation's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Foundation's major federal programs for the year ended December 31, 2019. The Foundation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Foundation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Opinion on Each Major Federal Program**
In our opinion, Louisiana Hospital Association Research and Education Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

**Report on Internal Control Over Compliance**
Management of Louisiana Hospital Association Research and Education Foundation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Foundation's internal control over compliance with types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

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

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

We have audited the consolidated financial statements of Louisiana Hospital Association and Subsidiary and Louisiana Hospital Association Research and Education Foundation as of and for the year ended December 31, 2019, and have issued our report thereon dated June 12, 2020, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompany schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

LaPorte

A Professional Accounting Corporation

Metairie, LA
June 12, 2020

**LOUISIANA HOSPITAL ASSOCIATION RESEARCH AND EDUCATION FOUNDATION**
**Schedule of Expenditures of Federal Awards**
**For the Year Ended December 31, 2019**

| Federal Grantor/ Pass-Through Agency/ Program Title (per CFDA) | Federal CFDA Number | Program Name | Total Expenditures |
|---|---|---|---|
| **Passed Through State of Louisiana Department of Health and Hospitals:** | | | |
| State Rural Hospital Flexibility Program | 93.241 | FLEX Program | $ 5,000 |
| National Bioterrorism Hospital Preparedness Program | 93.889 | Hospital Preparedness Program (HHS) | 1,334,672 |
| **Total Expenditures** | | | $ 1,339,672 |

See notes to schedule to expenditures of federal awards.

## Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Louisiana Hospital Association Research and Education Foundation (the Foundation) under programs of the federal government for the year ended December 31, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Foundation, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Foundation.

## Note 2. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting and the cost accounting principles contained in Uniform Guidance. Under these cost principles, certain types of expenditures are not allowable or are limited as to reimbursements. Expenditures for loan disbursements are recognized when paid.

## Note 3. Sub-Recipients

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

| Program Name | Federal CFDA Number | Amounts Provided to Sub-Recipients |
|---|---|---|
| Hospital Preparedness Program (HHS) | 93.889 | $ 714,208 |

## Note 4. Indirect Cost Rate

The Foundation has elected not to use the 10% de minimis indirect cost rate as provided for in section 200.414 of the Uniform Guidance.

**Schedule of Findings and Questioned Costs**
**For the Year Ended December 31, 2019**

**Part I - Summary of Auditor's Results**

Financial Statements

| | | |
|---|---|---|
| 1. | Type of auditors' report issued: | Unmodified |
| 2. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiencies identified not considered to to be a material weakness? | None Reported |
| 3. | Noncompliance material to the financial statements noted? | No |

Federal Awards

| | | |
|---|---|---|
| 1. | Internal control over major programs: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiencies identified not considered to to be a material weakness? | None Reported |
| 2. | Type of auditor's report issued on compliance for major programs: | Unmodified |
| 3. | Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance: | No |

4. Identification of major programs:

| CFDA Number | Name of Federal Program or Cluster |
|---|---|
| 93.889 | National Bioterrorism Hospital Preparedness Program |

| | | |
|---|---|---|
| 5. | Dollar threshold used to distinguish between type A and type B programs: | $750,000 |
| 6. | Auditee qualified as low-risk auditee? | Yes |

## Part II - Financial Statement Findings

None.

## Part III - Findings and Questioned Costs for Federal Awards

None.

**LOUISIANA HOSPITAL ASSOCIATION RESEARCH AND EDUCATION FOUNDATION**

**Summary Schedule of Prior Audit Findings**
**For the Year Ended December 31, 2019**

None.

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**Independent Auditor's Report on Supplementary Information**

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

We have audited the consolidated financial statements of Louisiana Hospital Association and Subsidiary and Louisiana Hospital Association Research and Education Foundation as of and for the years ended December 31, 2019 and 2018, and our report thereon dated June 12, 2020, which contained an unmodified opinion on those consolidated financial statements. Our audits were performed for the purpose of forming an opinion on the consolidated financial statements as a whole.

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

LaPorte

A Professional Accounting Corporation

Metairie, LA
June 12, 2020

**LOUISIANA HOSPITAL ASSOCIATION AND SUBSIDIARY and**
**LOUISIANA HOSPITAL ASSOCIATION RESEARCH AND EDUCATION FOUNDATION**
**Schedule of Compensation, Benefits, and Other Payments to**
**Agency Head**
**For the Year Ended December 31, 2019**

**Agency Head**
Paul Salles, President and Chief Executive Officer

| **Purpose** | **Amount** |
|---|---|
| Salary | $0 |
| Benefits - Insurance | $0 |
| Benefits - Retirement | $0 |
| Benefits - Other | $0 |
| Car Allowance | $0 |
| Vehicle Provided by Government | $0 |
| Per Diem | $0 |
| Reimbursements | $0 |
| Travel | $0 |
| Registration Fees | $0 |
| Conference Travel | $0 |
| Continuing Professional Education Fees | $0 |
| Housing | $0 |
| Unvouchered Expenses | $0 |
| Special Meals | $0 |

* No compensation, reimbursements nor benefits were paid to the agency head from public funds.

See independent auditor's report on supplementary information.