

CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION

Ochsner LSU Health System of North Louisiana  
Years Ended June 30, 2022 and 2021  
With Report of Independent Auditors

Ernst & Young LLP



Ochsner LSU Health System of North Louisiana

Consolidated Financial Statements  
and Supplementary Information

Years Ended June 30, 2022 and 2021

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## Report of Independent Auditors

The Board of Directors  
Ochsner LSU Health System of North Louisiana and Subsidiaries

### Opinion

We have audited the consolidated financial statements of Ochsner LSU Health System of North Louisiana and subsidiaries (the Company), which comprise the consolidated balance sheets as of June 30, 2022 and 2021, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at June 30, 2022 and 2021, and the results of its operations, 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.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Company 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 opinion.

### Adoption of ASU No. 2016-02, *Leases (Topic 842)*

As discussed in Note 1 to the financial statements, in 2022 the Company adopted new accounting guidance related to its method of accounting for leases as a result of the adoption of the amendments to the FASB Accounting Standards Codification resulting from Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

### 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 of 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 Company’s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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, 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 Company'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 Company'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.

*Ernst & Young LLP*

October 19, 2022

# Ochsner LSU Health System of North Louisiana

## Consolidated Balance Sheets

	<b>June 30</b>	
	<b>2022</b>	<b>2021</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 153,313,237	\$ 79,131,287
Patient accounts receivable, net	84,763,311	77,987,427
Other receivables	74,909,475	73,399,119
Inventory	25,380,914	24,907,568
Other current assets	8,013,491	6,529,808
Total current assets	346,380,428	261,955,209
Assets limited as to use:		
By Board for capital improvements and other	140,280,975	–
Total assets limited as to use	140,280,975	–
Long-term assets:		
Property and equipment, net	153,329,055	135,894,653
Investments in unconsolidated affiliates	2,604,677	2,412,998
Right-of-use asset from operating leases	320,708,092	–
Goodwill	7,287,024	–
Other assets	6,473,808	7,440,324
Total long-term assets	490,402,656	145,747,975
Total assets	\$ 977,064,059	\$ 407,703,184
<b>Liabilities and net assets</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 44,430,674	\$ 64,914,896
Accrued compensation and benefits	30,119,698	25,888,033
Medicare advance payments received and deferred revenue	17,578,664	68,600,722
Long-term debt and bonds payable – current portion	2,435,487	1,323,785
Finance lease liabilities – current portion	689,857	42,268
Operating lease liabilities – current portion	26,384,125	–
Due to related parties	66,284,849	73,174,591
Total current liabilities	187,923,354	233,944,295
Long-term liabilities:		
Finance leases, net of current portion	805,932	–
Debt and bonds payable, net of current portion	322,555,161	1,578,798
Operating lease liabilities, net of current portion	294,555,112	–
Other long-term liabilities	5,720,945	29,830,348
Total liabilities	811,560,504	265,353,441
Net assets	160,503,555	142,349,743
Net assets with donor restrictions	5,000,000	–
Total net assets	\$ 165,503,555	\$ 142,349,743
Total liabilities and net assets	\$ 977,064,059	\$ 407,703,184

*See accompanying notes.*

Ochsner LSU Health System of North Louisiana

Consolidated Statements of Operations and Changes in Net Assets

	<b>Year Ended June 30</b>	
	<b>2022</b>	<b>2021</b>
Operating revenues:		
Patient service revenues	\$ 1,014,503,929	\$ 930,387,802
Other operating revenues	162,737,796	96,149,903
Total operating revenues	<u>1,177,241,725</u>	<u>1,026,537,705</u>
Operating expenses:		
Salaries and wages	326,157,085	286,284,867
Employee benefits	56,115,967	51,153,089
Supplies	242,657,944	204,655,247
Professional fees	265,814,382	226,976,676
Purchased services	81,049,504	77,822,028
Leases	68,599,596	67,230,744
Interest	8,065,121	190,081
Depreciation	25,288,528	15,965,290
Other	75,620,761	67,588,059
Total operating expenses	<u>1,149,368,888</u>	<u>997,866,081</u>
Income from operations	27,872,837	28,671,624
Nonoperating (losses) gains:		
Contributions	–	568,084
Realized and unrealized losses on investments, net	(9,719,025)	–
Other revenues, net	–	13,503
Total nonoperating (losses) gains	<u>(9,719,025)</u>	<u>581,587</u>
Change in net assets without donor restrictions	18,153,812	29,253,211
Changes in net assets with donor restrictions:		
Contributions	5,000,000	–
Increase in net assets with donor restrictions	<u>5,000,000</u>	<u>–</u>
Increase in net assets	23,153,812	29,253,211
Net assets at beginning of year	142,349,743	113,096,532
Net assets at end of year	<u>\$ 165,503,555</u>	<u>\$ 142,349,743</u>

*See accompanying notes.*

# Ochsner LSU Health System of North Louisiana

## Consolidated Statements of Cash Flows

	<b>Year Ended June 30</b>	
	<b>2022</b>	<b>2021</b>
<b>Operating activities</b>		
Change in net assets	\$ 23,153,812	\$ 29,253,211
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	25,288,528	15,965,290
Amortization of deferred financing costs	285,118	–
Loss from equity method investments	704,037	1,683,349
Net realized and unrealized loss on investments	9,719,025	–
Increase in accounts receivable, net	(6,775,884)	(11,755,464)
Increase in other receivables	(1,510,356)	(45,655,190)
Increase in inventory	(473,346)	(4,417,620)
(Increase) decrease in other assets	(517,167)	1,041,268
(Decrease) increase in accounts payable	(15,341,644)	20,247,367
(Decrease) increase in Medicare advance payments and deferred revenue	(51,022,058)	3,083,552
(Decrease) increase in other current/noncurrent liabilities	(24,109,403)	27,770,639
Decrease in due to related party	(6,889,742)	(23,762,932)
Net cash (used in) provided by operating activities	(47,489,080)	13,453,470
<b>Investing activities</b>		
Purchases of assets whose use is limited	(128,999,380)	–
Sales of assets whose use is limited	18,428,174	–
Purchases of property and equipment	(35,547,906)	(56,326,742)
Investments in unconsolidated affiliates	(895,716)	(4,096,347)
Acquisition of business	(10,100,000)	–
Net cash used in investing activities	(157,114,828)	(60,423,089)
<b>Financing activities</b>		
Proceeds from bonds payable	325,000,000	–
Payments of debt financing costs	(3,110,374)	–
Payments of bonds payable and long-term debt	(1,800,705)	(1,817,400)
Payments on outstanding finance leases	(1,874,269)	(384,394)
Net cash provided by (used in) financing activities	318,214,652	(2,201,794)
Net increase (decrease) in cash, cash equivalents, and restricted cash	113,610,744	(49,171,413)
Cash and cash equivalents at beginning of year	79,131,287	128,302,700
Cash, cash equivalents, and restricted cash at end of year	\$ 192,742,031	\$ 79,131,287
<b>Supplemental disclosures of cash flow information</b>		
Cash paid during the year for interest	\$ 7,045,434	\$ 165,494
<b>Supplemental noncash investing and financing activities</b>		
Property purchases included in accounts payable	\$ 1,095,451	\$ 2,006,364
Equipment acquired through finance lease and debt financing	\$ 4,890,255	\$ 1,908,375

*See accompanying notes.*

# Ochsner LSU Health System of North Louisiana

## Notes to Consolidated Financial Statements

June 30, 2022

### 1. Summary of Significant Accounting Policies

#### Organization

Ochsner LSU Health System of North Louisiana (OLHS-NL) was organized in August 2018 for the purpose of, among other things, operating two hospitals located in Shreveport and Monroe, Louisiana (Hospitals) owned by Louisiana State University and Agricultural and Mechanical College (LSU), through one or more of OLHS-NL's subsidiary entities (i.e., University Health Shreveport, L.L.C. d/b/a Ochsner LSU Health Shreveport, and BRFHH Monroe, L.L.C. d/b/a Ochsner LSU Health Monroe (Hospital Subsidiary Entities)), as part of a public/private partnership between OLHS-NL, the State of Louisiana, and LSU (Parties). Pursuant to the Cooperative Endeavor Agreement (CEA) entered into among the Parties, the purpose of the public/private partnership is for OLHS-NL to operate an academic medical center, for the public purpose of operating the Hospitals in a manner that promotes, enhances, and supports and is consistent with the state of Louisiana's and LSU's historical commitment to providing high-quality safety net services to the State's most vulnerable populations. OLHS-NL is a private, nonprofit corporation under Louisiana law. OLHS-NL's bylaws grant LSU and Ochsner Clinic Foundation (Ochsner) the right to appoint an equal number of members to the OLHS-NL Board of Directors. Given their representation on the board, the transactions described below that are between OLHS-NL and LSU or Ochsner subsidiaries are considered related-party transactions.

Effective October 1, 2018, the membership interest in BRF Hospital Holdings d/b/a Ochsner LSU Hospitals (BRFHH), which is the sole member of the two Hospital Subsidiary Entities (BRFHH and the Hospital Subsidiary Entities are collectively referred to as OLH Subsidiary Entities), was transferred to OLHS-NL pursuant to a Membership Interest Transfer Agreement (MITA) between OLHS-NL and Biomedical Research Foundation of Northwest Louisiana (BRF). As part of the private/public partnership, an Academic and Clinical Collaboration Agreement (ACCA) between LSU and OLHS-NL was executed to, among other things, integrate the clinical activity and align the missions of the Hospitals and OLPG for the benefit of the collaborative service area. Effective October 1, 2018, LSU Health Sciences Center-Shreveport Faculty Group Practice d/b/a Ochsner LSU Physician Group (OLPG) amended its governance documents to make OLHS-NL its sole member. In April 2020, OLHS-NL added a third Hospital Subsidiary Entity, Ochsner LSU Health Shreveport-St. Mary Medical Center, L.L.C. (OLHS-SMMC), and by letter agreement between Ochsner, OLHS-NL, and LSU the parties agreed that OLHS-SMMC is subject to all of the same terms and conditions applicable to the existing Hospital Subsidiaries under the parties' CEA.



# Ochsner LSU Health System of North Louisiana

## Notes to Consolidated Financial Statements (continued)

### 1. Summary of Significant Accounting Policies (continued)

#### Basis of Presentation and Principles of Consolidation

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). The consolidated financial statements include the accounts of OLHS-NL and its wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated upon consolidation.

#### Nature of Operations

Effective October 1, 2018, OLHS-NL entered into the CEA with LSU and the State of Louisiana. In accordance with the terms of the CEA, OLHS-NL assumed responsibility for the management and operation of the Hospitals and associated outpatient clinics in North Louisiana beginning on October 1, 2018. The CEA has an initial term of 10 years and shall automatically renew for two successive 5-year terms for a total term of 20 years.

OLHS-NL and the OLH Subsidiary Entities also entered into a Professional Services Agreement (PSA) with OLPG effective October 1, 2018, whereby OLPG agrees to supply LSU physicians and nonphysician practitioners to provide professional medical and administrative services to the Hospitals. The term of the PSA is for ten years and shall automatically renew for two successive five-year terms. In accordance with the terms of the PSA, OLHS-NL recorded expenses and OLPG recorded equal amounts of revenue for professional medical services for the years ended June 30, 2022 and 2021. These intercompany transactions eliminate in the consolidated financial statements of OLHS-NL.

To secure the services of along with the right to bill and collect for the LSU physicians and nonphysician practitioners provided under the PSA and certain other agreements, OLHS-NL's subsidiary entity OLPG entered into a Faculty Services Agreement (FSA) with LSU effective October 1, 2018. Pursuant to the FSA, LSU (i) makes certain of its physicians and nonphysician practitioners available to OLPG for the provision of services under the PSA and certain other agreements and (ii) assigns these physicians and nonphysician practitioners' rights to bill and collect under the PSA and the other agreements to OLPG. In exchange for these services and right to bill and collect for them, OLPG pays LSU in accordance with an agreed-upon budget and reconciliation process during the term of the FSA. The term of the FSA is for ten years and shall automatically renew for two successive five-year terms. In accordance with the terms of the FSA, OLPG recorded expenses of \$136,227,615 and \$111,426,700 for the services provided by LSU for the years ended June 30, 2022 and 2021, respectively.

# Ochsner LSU Health System of North Louisiana

## Notes to Consolidated Financial Statements (continued)

### 1. Summary of Significant Accounting Policies (continued)

The OLH Subsidiary Entities and LSU also entered into an Academic Affiliation Agreement (AAA) effective October 1, 2018. Under the AAA, LSU makes its physicians and residents in training available to the Hospitals. In turn, the hospital subsidiaries provide financial support to LSU. The term of the AAA is for ten years and shall automatically renew for two successive five-year terms. In accordance with the terms of the AAA, included in professional fees OLHS-NL's hospital subsidiaries recorded expenses of \$89,366,900 and \$86,000,000 for the physician services provided by LSU for the years ended June 30, 2022 and 2021, respectively.

OLHS-NL, the OLH Subsidiary Entities, and LSU also entered into a Shared Services Agreement (SSA) effective October 1, 2018. Under the terms of the SSA, OLHS-NL and the OLH Subsidiary Entities provide various support services (e.g., laundry, medical records archives, landscaping, maintenance, etc.) to LSU and LSU provides various support services (e.g., utilities, security, auxiliary units, storage, etc.) to OLHS-NL and the OLH Subsidiary Entities. The term of the SSA is for ten years and shall automatically renew for two successive five-year terms. The aggregate value of the services expensed for the years ended June 30, 2022 and 2021, under the agreements is \$11,703,749 and \$9,937,304, respectively. The aggregate value of the services recorded as other operating revenues for the years ended June 30, 2022 and 2021, under the agreements is \$18,655,296 and \$2,092,131, respectively.

BRFHH, of which OLHS-NL is the sole member, and the State of Louisiana also entered into a Master Hospital Lease (Hospital Lease) effective October 1, 2018, pursuant to which BRFHH leases the Hospitals from the State of Louisiana in exchange for rental payments. The Hospital Lease has an initial term of 10 years and shall automatically renew for 2 successive 5-year terms for a total of 20 years. The Hospital Lease requires the payment of an annual base rent of \$41,827,876 payable in two equal installments. The base rent will be adjusted annually for changes in the consumer price index. However, there will be no adjustments below the fixed minimum rent established at the initial Hospital Lease date. The rent expense for the Hospital Lease was \$45,078,661 and \$42,957,097 for the years ended June 30, 2022 and 2021, respectively.

BRFHH also entered into an Equipment Lease for Shreveport Hospital and an Equipment Lease for Monroe Hospital (Equipment Leases) effective October 1, 2018. Under the Equipment Leases, BRFHH leases certain equipment from the State of Louisiana that is used in the operation of the Hospitals. The initial terms of the Equipment Leases are for 10 years and shall automatically renew for 2 successive 5-year terms for a total of 20 years each. The Equipment Leases require payment of annual base rent of \$6,405,311 for the equipment for the Hospitals. The annual base rent

# Ochsner LSU Health System of North Louisiana

## Notes to Consolidated Financial Statements (continued)

### **1. Summary of Significant Accounting Policies (continued)**

payments are payable in two equal installments. The base rent will be adjusted for changes in the consumer price index. However, there will be no adjustments below the fixed minimum rent established in the initial Equipment Leases date. The rent expense for the Equipment Leases was \$6,903,121 and \$6,576,092 for the years ended June 30, 2022 and 2021, respectively.

OLHS-NL, its hospital subsidiaries, and OLH Operational Management Company (Manager), a subsidiary of Ochsner, entered into a Manager Services Agreement (MSA) effective October 1, 2018. Under the MSA, OLHS-NL and its hospital subsidiaries retained Manager for the purpose of providing certain management services, billing and collection services, and administration support as needed for efficient and cost-effective operation of the Hospitals consistent with the shared charitable mission of the Parties. The initial term of the MSA is 10 years and will automatically renew for 2 successive 5-year terms for a total of 20 years. The expense recorded under the MSA for the years ended June 30, 2022 and 2021 was \$28,977,376 and \$27,136,164, respectively.

OLHS-NL, OLPG, and Clinical Operational Management Company, L.L.C. (Administrator), a subsidiary of Ochsner, entered into an Administrative Services Agreement (ASA) effective October 1, 2018. Under the ASA, OLHS-NL and OLPG retained Administrator for the purpose of providing certain management, administrative, and other non-clinical services and support to enable OLPG to fulfill its obligations under various services agreement and improve faculty practice operations consistent with and in support of the shared charitable mission of the Parties. The initial term of the ASA is 10 years and will automatically renew for 2 successive 5-year terms for a total of 20 years. The expense recorded under the ASA for the years ended June 30, 2022 and 2021, was \$4,503,994 and \$3,803,586, respectively.

### **Use of Estimates**

The preparation of the consolidated financial statements in conformity with U.S. GAAP 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 consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **Cash and Cash Equivalents**

Cash and cash equivalents include all checking accounts and investments with a maturity of three months or less when purchased, excluding amounts whose use is limited by board designation.

# Ochsner LSU Health System of North Louisiana

## Notes to Consolidated Financial Statements (continued)

### 1. Summary of Significant Accounting Policies (continued)

The following table provides a reconciliation of cash, cash equivalents, cash equivalents whose use is limited by board designation, and restricted cash reported within the statements of financial position that sum to the total of the same such amounts shown on the statements of cash flows for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 153,313,237	\$ 79,131,287
Assets limited as to use:		
By Board for capital improvements and other	39,428,794	—
	<u>\$ 192,742,031</u>	<u>\$ 79,131,287</u>

### Inventories

Inventories consist primarily of drugs, medical supplies, and general supplies and are stated at the lower of cost (using the first-in, first-out method) or net realizable value.

### Investments

Investments held by OLHS-NL are included in assets limited as to use on the consolidated balance sheets. Investments are classified as non-current assets, regardless of their maturity date due to OLHS-NL's primary intent not to utilize these assets to meet current obligations, capital, and other cash flow needs, and the investments have exposure to asset classes with longer-term investment time horizons. Substantially all of OLHS-NL's investments are designated as other-than-trading investments. Investments in equity securities and fixed income funds of the U.S. government and government agencies with readily determinable fair values, and all investments in debt securities are measured at fair value on the consolidated balance sheets. Investments also include investments in private equity funds, hedge funds, real estate funds, offshore fund vehicles, and funds of funds structured as limited liability corporations or partnerships or trusts. These investments are termed alternative investments in the notes to the consolidated financial statements and are accounted for under the equity method, which approximates fair value. These funds invest in certain types of financial instruments, including, among others, futures and forward contracts, options, and securities sold not yet purchased, intended to hedge against changes in the market value of investments. These financial instruments, which involve varying degrees of risk, may result in loss due to changes in the market (market risk).

# Ochsner LSU Health System of North Louisiana

## Notes to Consolidated Financial Statements (continued)

### **1. Summary of Significant Accounting Policies (continued)**

Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in changes in net assets without donor restrictions unless the income or loss is restricted by donor or law.

If management believes a decline in the value of a particular investment is temporary, the decline is included in change in net unrealized gains (losses) on investments on the consolidated statements of operations.

If the decline is evaluated as being other than temporary, the carrying value of the investment is written down and an impairment loss is recorded in non-operating gains and losses on the consolidated statements of operations. OLHS-NL did not record impairment losses on investment securities for the years ended June 30, 2022 or 2021.

#### **Assets Limited as to Use**

Assets limited as to use primarily include assets designated assets set aside by the Board of Trustees (the Board) primarily for future capital improvements over which the Board retains control and may, at its discretion, subsequently use for other purposes.

#### **Property and Equipment**

Property improvements and additions are recorded at cost and capitalized and depreciated on the straight-line basis over the estimated useful lives of the related assets, which range from 3 to 40 years. Equipment under finance lease obligations is depreciated using the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment.

When assets are retired or otherwise disposed, the costs and related accumulated depreciation are removed from the accounts and any resulting gains or losses are recognized by OLHS-NL for that period.

#### **Implementation Costs of Hosting Arrangement That is a Service Contract**

OLHS-NL entered into a hosting arrangement for computer services. The initial implementation costs under this arrangement are recorded in other assets to be capitalized and amortized over the term of the agreement, which is ten years. Unamortized costs were \$6,055,829 and \$7,734,872 as of June 30, 2022 and 2021, respectively. The amortized cost is expensed as a purchased service.

# Ochsner LSU Health System of North Louisiana

## Notes to Consolidated Financial Statements (continued)

### 1. Summary of Significant Accounting Policies (continued)

#### Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed Of

OLHS-NL reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. No impairments have been recognized for the years ended June 30, 2022 or 2021.

#### Income From Operations

The statement of operations includes the line item entitled change in net assets without donor restrictions, which represents OLHS-NL's performance indicator, as well as income from operations, which represents an intermediate measure of performance. Operating revenues include, but are not limited to, patient revenues and payments from the State of Louisiana for the uncompensated cost of care. Changes in net assets that are excluded from income from operations include contributions and other nonoperating activities.

#### Patient Service Revenue

Patient service revenue is reported at the amount that reflects the consideration OLHS-NL expects to be entitled for providing patient care. These are amounts due from patients, third-party payors (including managed care payors and government programs), and others, and include variable consideration for retroactive revenue adjustments due to settlement of reviews and audits. Generally, OLHS-NL bills the patients and third-party payors after the services are performed or shortly after discharge. Revenue is recognized as performance obligations are satisfied.

OLHS-NL determines performance obligations based on the nature of the services provided. Revenue for performance obligations satisfied over time is recognized on actual charges incurred in relation to total expected or actual charges. OLHS-NL believes this method provides a reasonable depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Those services satisfied over time relate to patients receiving inpatient acute services and the performance obligation is measured by OLHS-NL from

# Ochsner LSU Health System of North Louisiana

## Notes to Consolidated Financial Statements (continued)

### 1. Summary of Significant Accounting Policies (continued)

admission into the hospital until the time that it is no longer required to provide services to the patient, which is generally at the time of discharge. These services are considered a single performance obligation and revenue is recognized when the services are provided and satisfy the performance obligation. Management believes this method provides a depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation.

As the organization's performance obligations relate to contracts with a duration of less than one year, OLHS-NL has elected to apply the optional exemption provided in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) No. 606-10-60-14(a), and therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which usually occurs within days or weeks of the end of the reporting period.

Under this guidance, OLHS-NL does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to the expectation that the period between the time of service is provided to the patient and the time that payment is received from the patient or third-party payor will be one year or less.

OLHS-NL utilizes the portfolio approach practical expedient in ASC 606 for contracts related to patient service revenue. These contracts are accounted for as a collective group within each portfolio rather than individual contracts. The contracts are grouped based on the payment pattern expected in each portfolio category and the similar nature and characteristics of the patients within each portfolio. The portfolios consist of major payor classes for inpatient and outpatient revenue. Based on historical analysis and collection trends, OLHS-NL concluded that revenue for a portfolio would not be materially different if the accounting for revenue was performed on a contract-by-contract basis.

OLHS-NL has agreements with third-party payors that provide for payments that vary from the established rates of OLHS-NL. For uninsured patients who do not qualify for charity care, revenue is recognized based on established rates, subject to certain discounts and implicit price concessions according to OLHS-NL's policy. The transaction price is determined by OLHS-NL based on

# Ochsner LSU Health System of North Louisiana

## Notes to Consolidated Financial Statements (continued)

### **1. Summary of Significant Accounting Policies (continued)**

standard charges for services provided and reduced by explicit price concessions provided to third-party payors, discounts provided to uninsured patients according to policy, and implicit price concessions provided to uninsured patients. The explicit price concessions are based on contractual agreements, discount policies, and historical experience. Implicit price concessions represent differences between amounts billed and the estimated consideration OLHS-NL expects to receive from patients, which are determined based on historical collection trends, current market conditions, and other factors.

#### **Managed Care Incentive Payments**

OLHS-NL participates in the Managed Care Incentive Payment (MCIP) program which provides incentive payments for achieving quality metrics that increase access to health care, improve the quality of care, and enhance the health of the members of the Managed Care Organization. OLHS-NL received payments in the years ended June 30, 2022 and 2021 of approximately \$14,955,989 and \$15,070,000, respectively, under the MCIP program.

#### **Charity Care**

OLHS-NL provides care to patients who meet certain criteria established under its charity care policy without expected reimbursements or at reimbursement rates substantially lower than its usual and customary charges. Charity care is not reported as net revenues because OLHS-NL does not pursue collection of amounts determined to qualify as charity care. OLHS-NL estimates its costs of care provided under its charity care programs by applying a ratio of direct and indirect costs to charges to the gross forgone charges associated with providing care to charity patients. OLHS-NL's gross charity care charges include only services provided to patients who are unable to pay and qualify under OLHS-NL's charity care policies. The ratio of cost to charges is calculated based on OLHS-NL's total expenses divided by gross patient revenue. During the years ended June 30, 2022 and 2021, the estimated costs incurred by OLHS-NL to provide care to patients who met certain criteria under its charity care policy were \$33,154,206 and \$25,145,130, respectively.

#### **Other Operating Revenue**

Other operating revenue includes pharmacy revenue, Provider Relief Funds, Federal Emergency Management Agency funds, quality incentive revenue, physician contract services, affiliated services revenue, and various miscellaneous sources of revenue.



# Ochsner LSU Health System of North Louisiana

## Notes to Consolidated Financial Statements (continued)

### **1. Summary of Significant Accounting Policies (continued)**

#### **Estimated Workers' Compensation, Professional and General Liability, and Employee Health Claims**

OLHS-NL is self-insured for workers' compensation, professional and general liability, and employee health claims. The provisions for estimated workers' compensation, professional liability, and employee health claims include estimates for the ultimate costs for both reported claims and claims incurred but not reported. These estimates incorporate OLHS-NL's past experience, as well as other considerations, including the nature of claims, industry data, relevant trends, and the use of actuarial information.

#### **Contributions**

Contributions received are recorded as with or without donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the statements of activities as net assets released from restrictions.

During the years ended June 30, 2022 and 2021, OLHS-NL received \$5 million and \$0 in funding with donor restrictions, respectively. As of June 30, 2022 and 2021, OLHS-NL had \$5 million and \$0 in net assets with donor restrictions, respectively.

#### **Income Taxes**

OLHS-NL qualifies as a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code and, except for unrelated business income, is exempt from federal income taxes pursuant to Section 501(a) of the Internal Revenue Code. Pursuant to Louisiana law, this exemption also applies to Louisiana state income and franchise taxes. Management annually reviews its tax positions and has determined that there are no material uncertain tax positions that require recognition on the accompanying consolidated balance sheet.

#### **Concentration of Credit Risk**

OLHS-NL grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements.

# Ochsner LSU Health System of North Louisiana

## Notes to Consolidated Financial Statements (continued)

### 1. Summary of Significant Accounting Policies (continued)

#### Risks and Uncertainties

OLHS-NL's business could be impacted by continuing price pressure on new and renewal business, OLHS-NL's ability to effectively control health care costs, additional competitors entering OLHS-NL's markets, and federal and state legislation in the area of health care reform. Changes in these areas could adversely impact its operations in the future.

#### Recently Adopted Pronouncements

In February 2016, the FASB issued Accounting Standards Update No. (ASU) 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires companies that lease assets to recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, on its balance sheet. The pronouncement will also require additional disclosures about the amount, timing, and uncertainty of cash flows arising from leases. As discussed in Note 9, OLHS-NL issued taxable bonds during the first quarter of fiscal year 2022 upon which issuance the provisions of ASU 2016-02 became effective for OLHS-NL, which it adopted using a modified retrospective approach. The primary effect of the new standard was recording right-of-use assets and obligations for current operating leases as further discussed in Note 10.

### 2. Patient Service Revenue

A summary of the basis of payment arrangements with third-party payors follows.

#### Medicare and Medicaid

Inpatient acute care services related to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Medicare inpatient rehabilitation services are also paid at prospectively determined rates per discharge, based on a patient classification system. Psychiatric services rendered to Medicare beneficiaries are reimbursed on a prospectively determined rate per day. Outpatient services to Medicare beneficiaries are paid on a prospectively determined amount per procedure. Medicare skilled nursing care is paid on a prospectively determined amount per diem based on a patient classification system. The Medicare program's

## Ochsner LSU Health System of North Louisiana

### Notes to Consolidated Financial Statements (continued)

#### **2. Patient Service Revenue (continued)**

share of indirect medical education costs is reimbursed based on a stipulated formula. The Medicare program's share of direct medical education costs is reimbursed based on a prospectively determined amount per resident. Inpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined per diem rates. Outpatient services rendered to Medicaid program beneficiaries are reimbursed either on a cost basis subject to certain limits or on a prospectively determined amount per procedure.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation as well as significant regulatory action, and, in the normal course of business, OLHS-NL is subject to contractual review and audits, including audits initiated by the Medicare Recovery Audit Contract program. As a result, there is at least a reasonable possibility that recorded estimates will change in the near term. OLHS-NL believes it is in compliance with applicable laws and regulations governing the Medicare and Medicaid programs and that adequate provisions have been made for any adjustments that may result from final settlements.

Provisions for third-party payor settlements and adjustments are estimated in the period related services are provided and adjusted in future periods as additional information becomes available and final settlements are determined. At June 30, 2022 and 2021, included in other accounts receivable are estimated receivables of \$6,129,548 and \$7,456,583, respectively, net of payables of \$547,807 and \$0, respectively, related to OLHS-NL's agreements with third-party payors (including Medicare and Medicaid). Revenues recognized during the years ended June 30, 2022 and 2021, related to prior year changes in estimates were \$6,273,702 and \$5,627,200 respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Consequently, there is at least a reasonable possibility that recorded estimates could change by a material amount.

#### **Medicaid Supplemental Payment Program**

The CEA provides state funding commitments for indigent patient care in amounts determined by the Louisiana Department of Health. As a result, the Hospitals received \$324,536,354 and \$288,040,099 in CEA-related payments during the years ended June 30, 2022 and 2021, respectively. Revenue is recognized based on a systematic method over the term of the agreement year to which it relates, which ends with the State's fiscal year-end of June 30 each year. The Hospitals recognized \$152,653,888 and \$143,600,188 in disproportionate share (DSH) revenues and \$171,882,466 and \$144,439,911 in Full Medicaid Payment (FMP) revenues, which are included in net patient service revenue related to the services provided under the CEA for the years ended June 30, 2022 and 2021, respectively.

Ochsner LSU Health System of North Louisiana

Notes to Consolidated Financial Statements (continued)

**2. Patient Service Revenue (continued)**

**Managed Care**

OLHS-NL has also entered into contractual arrangements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. Inpatient and outpatient services rendered to managed care subscribers are reimbursed at prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

The mix of net revenues from patients and third-party payors for the years ended June 30 was as follows:

	<u>2022</u>	<u>2021</u>
Commercial and other	\$ 251,952,232	\$ 178,482,955
Medicaid	624,123,955	575,336,856
Medicare	138,427,742	176,567,991
Patient service revenue	<u>\$ 1,014,503,929</u>	<u>\$ 930,387,802</u>

**3. Patient Accounts Receivable**

At June 30, OLHS-NL's net patient accounts receivable balances were due from the following sources:

	<u>2022</u>	<u>2021</u>
Commercial and other	\$ 48,395,483	\$ 38,201,930
Medicaid	23,725,850	27,278,012
Medicare	12,641,978	12,507,485
Total patient accounts receivable – net	<u>\$ 84,763,311</u>	<u>\$ 77,987,427</u>

## Ochsner LSU Health System of North Louisiana

### Notes to Consolidated Financial Statements (continued)

#### 4. Liquidity and Availability

Financial assets available for general expenditure within one year of June 30 included the following:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 153,313,237	\$ 79,131,287
Patients accounts receivable	84,763,311	77,987,427
Other receivables	74,909,475	65,942,536
Assets limited as to use by Board for capital improvements and other	140,280,975	—
	<u>\$ 453,266,998</u>	<u>\$ 223,061,250</u>

OLHS-NL also maintains a \$40.0 million credit line as discussed in Note 7.

#### 5. Assets Limited as to Use and Related Fair Value Measurements and Disclosures

##### Short-Term Investments

ASC 820, *Fair Value Measurement*, establishes a common definition for fair value to be applied to U.S. GAAP requiring use of fair value, establishes a framework for measuring fair value, and expands disclosures about such fair value measurements.

ASC 820 establishes a hierarchy for ranking the quality and reliability of the information used to determine fair values. ASC 820 requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

*Level 1* – Unadjusted quoted market prices in active markets for identical assets or liabilities.

*Level 2* – Unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

*Level 3* – Unobservable inputs for the asset or liability.

Ochsner LSU Health System of North Louisiana

Notes to Consolidated Financial Statements (continued)

**5. Assets Limited as to Use and Related Fair Value Measurements and Disclosures  
(continued)**

OLHS-NL endeavors to utilize the best available information in measuring fair value. Financial assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement. Transfers into and transfers out of the hierarchy levels are recognized as if they had taken place at the end of the reporting period. There were no transfers between levels in the years ended June 30, 2022 or 2021.

**Assets and Liabilities Measured at Fair Value**

*Recurring Fair Value Measurements*

The fair values of assets measured at estimated fair value on a recurring basis are estimated as described in the preceding section. These estimated fair values and their corresponding fair value hierarchy in accordance with ASC 820 are summarized as follows (in thousands):

	<b>Fair Value Measurements at Reporting Date Using</b>							
	<b>Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)<sup>(a)</sup></b>			<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>	<b>Total Estimated Fair Value</b>		
<b>June 30, 2022</b>								
Money market funds	\$	39,429	\$	–	\$	–	\$	39,429
Fixed income investments		10,946		–		–		10,946
Marketable equity securities		53,654		–		–		53,654
Total	\$	104,029	\$	–	\$	–	\$	104,029
<b>June 30, 2021</b>								
Money market funds	\$	–	\$	–	\$	–	\$	–
Fixed income investments		–		–		–		–
Marketable equity securities		–		–		–		–
Total	\$	–	\$	–	\$	–	\$	–

<sup>(a)</sup> Valuation of these securities classified as Level 1 is based on unadjusted quoted prices in active markets that are readily and regularly available. Investments classified as Level 1 include mutual funds that are publicly traded.

Ochsner LSU Health System of North Louisiana

Notes to Consolidated Financial Statements (continued)

**5. Assets Limited as to Use and Related Fair Value Measurements and Disclosures  
(continued)**

Alternative investments and other investments of approximately \$36.3 million and \$0 million at June 30, 2022 and 2021, respectively, are not included in these tables since they are accounted for using the equity method of accounting and not measured at fair value.

Investment income and other gains and losses are classified as nonoperating and comprise interest and dividend income of approximately \$0.3 million and \$0, and realized net losses on sales of securities of approximately \$0.7 million and \$0 for 2022 and 2021, respectively. Unrealized losses on alternative investments were approximately \$2.4 million and \$0 in 2022 and 2021, respectively, and unrealized losses on investments other than alternative investments were approximately \$6.9 million and \$0 during 2022 and 2021, respectively.

**6. Property – Net**

OLHS-NL’s investment in property at June 30 is as follows:

	<u>2022</u>	<u>2021</u>
Land	\$ 1,368,523	\$ 1,060,654
Buildings and leasehold improvements	96,369,674	53,584,555
Equipment, furniture, and fixtures	104,940,991	82,323,031
Construction-in-progress	20,648,506	43,669,775
Total property – at cost	<u>223,327,694</u>	<u>180,638,015</u>
Less accumulated depreciation	69,998,639	44,743,362
Property – net	<u>\$ 153,329,055</u>	<u>\$ 135,894,653</u>

Finance lease assets are included within equipment, furniture, and fixtures above. The following is an analysis of the equipment under finance lease at June 30:

	<u>2022</u>	<u>2021</u>
Equipment	\$ 12,348,870	\$ 8,789,934
Less accumulated depreciation	10,484,286	8,378,186
	<u>\$ 1,864,584</u>	<u>\$ 411,748</u>

# Ochsner LSU Health System of North Louisiana

## Notes to Consolidated Financial Statements (continued)

### 7. Line-of-Credit

OLHS-NL has a \$40,000,000 line-of-credit outstanding with a financial institution. This line-of-credit is secured by the accounts receivable of OLHS-NL and bears interest from the date advanced until repaid at the London Interbank Offered Rate (LIBOR) rate, plus the applicable margin. Interest on the loan is paid in arrears on each interest payment date. At June 30, 2022 and 2021, there were no amounts outstanding on the line of credit.

### 8. Notes Payable

As part of the formation and member interest transfer agreement on October 1, 2018, OLHS-NL assumed various notes payable with interest rates ranging from 5.42% to 7.03% and maturity dates ranging from January 2023 to April 2024. The total notes payable outstanding were \$2,815,904 and \$2,902,583 at June 30, 2022 and 2021, respectively.

### 9. Bonds Payable

At June 30, 2022, bonds payable consisted of the following taxable bonds issued by OLHS-NL in July 2021. These taxable bonds bear interest at an annual rate of 2.51% and have a maturity date of May 15, 2031, with interest payable in May and November each year.

	<u>2022</u>	<u>2021</u>
Series 2021 taxable bonds	\$ 325,000,000	\$ –
Less deferred financing costs	2,825,256	–
Total bonds payable	<u>\$ 322,174,744</u>	<u>\$ –</u>

All of the bonds included in the table above are general obligations of OLHS-NL. The security includes a mortgage of certain property and pledged gross receivables.

The bond indenture also places limits on the incurrence of additional borrowings by OLHS-NL and requires that it satisfy certain measures of financial performance as long as the bonds are outstanding. OLHS-NL was in compliance with these requirements at June 30, 2022.



## Ochsner LSU Health System of North Louisiana

### Notes to Consolidated Financial Statements (continued)

#### **10. Leases**

During fiscal year 2022, OLHS-NL adopted ASU No. 2016-02, *Leases (Topic 842)*, which requires leases with durations greater than 12 months to be recognized on the balance sheet, using the modified retrospective approach. The primary effect of adoption of the new standard was the recording of right-of-use asset and operating lease liabilities of approximately \$363.9 million. Prior period financial statement amounts and disclosures have not been adjusted to reflect the provisions of the new standard. OLHS-NL elected the package of practical expedients, which allowed historical assessments of whether contracts are or contain leases, the lease classification, and the treatment of initial direct costs to be carried forward.

OLHS-NL leases property and equipment under finance and operating leases. For leases with terms greater than 12 months, OLHS-NL records the related assets and obligations at the present value of lease payments over the term. Many of OLHS-NL's leases include rental escalation clauses and renewal options that are factored into the determination of lease payments, when appropriate. OLHS-NL elected the practical expedient to use the risk-free interest rate to discount the lease payments for equipment leases when leases do not provide a readily determinable implicit interest rate. OLHS-NL uses its incremental borrowing rate to discount lease payments for real estate leases when leases do not provide a readily determinable implicit interest rate.

Ochsner LSU Health System of North Louisiana

Notes to Consolidated Financial Statements (continued)

**10. Leases (continued)**

The following table presents OLHS-NL's lease-related assets and liabilities (in thousands):

	<u>Balance Sheet Classification</u>	<u>June 30, 2022</u>
Assets:		
Operating leases	Right-of-use assets from operating leases	\$ 320,708
Financing leases	Property – net	1,865
Total lease assets		<u>\$ 322,573</u>
Liabilities:		
Current:		
Operating leases	Due to related parties	\$ 24,117
Operating leases	Operating lease current liabilities	26,384
Financing leases	Current portion of finance lease payable	690
Noncurrent:		
Operating leases	Operating lease long-term liabilities	294,555
Financing leases	Long-term finance leases, net of current portion	806
Total lease liabilities		<u>\$ 346,547</u>
Weighted-average operating leases remaining lease term		7 years
Weighted-average finance leases remaining lease term		2 years
Weighted-average operating lease discount rate		2.68%
Weighted-average finance lease discount rate		1.83

The table below summarizes the components of lease cost by lease type for the year ended June 30 (in thousands):

**Lease Costs**

	<u>2022</u>
Operating lease cost	\$ 58,245
Variable lease cost	3,749
Short-term lease cost	6,606
Amortization of finance lease assets	624
Interest on lease liabilities	27

Ochsner LSU Health System of North Louisiana

Notes to Consolidated Financial Statements (continued)

**10. Leases (continued)**

**Maturities of Lease Liabilities**

The following schedule summarizes OLHS-NL's future annual minimum rental commitments on outstanding leases as of June 30, 2022 (in thousands):

	<u>Lease Obligations</u>	
	<u>Finance</u>	<u>Operating</u>
2023	\$ 706	\$ 53,028
2024	706	52,928
2025	114	52,661
2026	–	52,595
2027	–	52,402
Thereafter	–	117,222
Total minimum lease payments	1,526	380,836
Less amounts representing interest	(30)	(35,780)
Less current maturities	(690)	(50,501)
Lease obligations – noncurrent	<u>\$ 806</u>	<u>\$ 294,555</u>

Supplemental cash flow information related to leases is as follows:

Cash paid for amounts included in the measurement of operating lease liabilities was \$51.7 million in operating cash outflows for operating leases for the year ended June 30, 2022.

Right-of-use assets obtained in exchange for lease obligations were \$363.9 million in operating leases for the year ended June 30, 2022.

Ochsner LSU Health System of North Louisiana

Notes to Consolidated Financial Statements (continued)

**11. Functional Expenses**

OLHS-NL provides general health care services primarily to residents within its geographic area.

**Functional Expenses for the  
Year Ended June 30, 2022**

	<b>Health Care Services</b>	<b>General and Administrative</b>	<b>Total</b>
Salaries and wages	\$ 297,073,526	\$ 29,083,559	\$ 326,157,085
Employee benefits	49,173,495	6,942,472	56,115,967
Supplies	239,327,384	3,330,560	242,657,944
Professional fees	262,382,630	3,431,752	265,814,382
Purchased services	77,170,424	3,879,080	81,049,504
Leases	67,365,976	1,233,620	68,599,596
Depreciation	25,288,528	—	25,288,528
Other	33,595,746	50,090,136	83,685,882
	<u>\$ 1,051,377,709</u>	<u>\$ 97,991,179</u>	<u>\$ 1,149,368,888</u>

**Functional Expenses for the  
Year Ended June 30, 2021**

	<b>Health Care Services</b>	<b>General and Administrative</b>	<b>Total</b>
Salaries and wages	\$ 260,139,545	\$ 26,145,322	\$ 286,284,867
Employee benefits	45,460,010	5,693,079	51,153,089
Supplies	201,972,907	2,682,340	204,655,247
Professional fees	225,575,325	1,401,351	226,976,676
Purchased services	72,837,694	4,984,334	77,822,028
Leases	62,645,507	4,585,237	67,230,744
Depreciation	15,965,290	—	15,965,290
Other	40,829,946	26,948,194	67,778,140
	<u>\$ 925,426,224</u>	<u>\$ 72,439,857</u>	<u>\$ 997,866,081</u>

## Ochsner LSU Health System of North Louisiana

### Notes to Consolidated Financial Statements (continued)

#### **12. Related-Party Transactions**

Certain members of the OLHS-NL Board of Directors and senior staff are affiliated with organizations that may provide services to OLHS-NL and its affiliates. OLHS-NL has a policy and procedures for identifying potential conflicts of interest and for periodically obtaining documentation and independent reviews of its insurance program, maintaining banking relationships with multiple financial institutions, and obtaining formal bids on all significant purchases to ensure that all transactions with related parties are at fair market value.

At June 30, 2022, OLHS-NL owed Ochsner and LSU \$6,181,019 and \$60,103,830, respectively, for services provided to OLHS-NL. At June 30, 2021, OLHS-NL owed Ochsner and LSU \$6,253,104 and \$66,921,487, respectively, for services provided to OLHS-NL. These amounts are presented on the consolidated balance sheets as due to related parties.

#### **13. Insurance Programs**

Professional liability claims are limited by Louisiana statute to \$500,000 per occurrence, the first \$100,000 of which is payable by the health care provider and the remainder of which is payable by the Patient's Compensations Fund (the Fund) for participants in the Fund.

OLHS-NL is self-insured for group health insurance and pays all claims up to \$200,000 per person. A stop loss policy pays claims in excess of this amount. OLHS-NL is also self-insured for workers' compensation liability up to the deductible of its excess workers' compensation policy of \$150,000 per claim.

OLHS-NL has reflected its estimate of the ultimate liability for known and incurred but not reported claims in the accompanying consolidated financial statements. The estimated liability for professional claims is \$3,441,890 and \$3,817,231 for June 30, 2022 and 2021, respectively, and is presented on the consolidated balance sheets as other long-term liabilities and accounts payable and accrued expenses.

#### **14. Retirement Plans**

OLHS-NL has a defined contribution plan under Internal Revenue Service Code Section 401(k) that covers substantially all full-time employees who are over the age of 21 and who have met eligibility requirements. Discretionary contributions by the Hospitals include matching contributions to the employee 401(k) plan up to certain limits of compensation. Total employer contributions were \$9,126,513 and \$7,901,931 for the years ended June 30, 2022 and 2021, respectively.

## Ochsner LSU Health System of North Louisiana

### Notes to Consolidated Financial Statements (continued)

#### **15. Commitments and Contingencies**

OLHS-NL is involved in various legal actions and claims that arose as a result of events that occurred in the normal course of operations. The ultimate resolution of these matters is not ascertainable at this time; however, management is of the opinion that any liability or loss in excess of insurance coverage resulting from such litigation will not have a material effect upon the consolidated financial position of OLHS-NL.

The health care industry as a whole is subject to numerous complex laws and regulations of federal, state, and local governments. Compliance with these laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. Such compliance with laws and regulations in the health care industry has come under increased government scrutiny. OLHS-NL is party to various legal proceedings and potential claims arising in the ordinary course of its business. Management of OLHS-NL believes the reserves it has established for these issues are adequate and does not believe, based on current facts and circumstances and after review with counsel, that these matters will have a material adverse effect on its consolidated statements of financial position or results of operations.

#### **16. COVID-19**

In March 2020, the World Health Organization declared the global novel coronavirus disease 2019 (COVID-19) outbreak a pandemic and declared a national public health emergency followed by state emergency declarations. There have been resulting effects that negatively impacted OLHS-NL's financial condition, including decisions to defer elective procedures and other medical treatments at OLHS-NL. Patient volumes were most significantly reduced in April 2020. In response, OLHS-NL took appropriate measures to respond to the anticipated revenue shortfalls. In late May 2020 as states relaxed restrictions on non-essential and elective procedures, patient volumes began to improve. The ultimate impact of these matters to OLHS-NL and its financial condition is presently unknown as the duration of the pandemic is undetermined.

Sources of pandemic relief include the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), which was enacted on March 27, 2020, and the Paycheck Protection Program and Health Care Enhancement Act (PPHCE Act), which was enacted on April 24, 2020. Together the CARES Act and the PPHCE Act include \$175,000,000,000 in funding to hospitals and other health care providers through the Public Health and Social Services Emergency Fund (PHSSEF). Grant payments from the PHSSEF are intended to reimburse health care providers for lost revenue and increased expenses due to the pandemic. Beginning in April and through June 2020, OLHS-NL

# Ochsner LSU Health System of North Louisiana

## Notes to Consolidated Financial Statements (continued)

### 16. COVID-19 (continued)

had received approximately \$13,900,000 through the PHSSEF, of which OLHS-NL recognized approximately \$13,900,000 as other revenue on the accompanying consolidated statement of operations and changes in net assets for the year ended June 30, 2020. In July 2020, additional PHSSEF funds of approximately \$80,700,000 were received, of which OLHS-NL recognized approximately \$52,900,000 as other revenue on the accompanying consolidated statement of operations and changes in net assets for the year ended June 30, 2021. The remaining payments of approximately \$27,800,000 were deferred as of June 30, 2021 and were recognized as other revenue during the year ended June 30, 2022. An additional \$20,175,000 was received in the year ended June 30, 2022, all of which was recognized in the year ended June 30, 2022. OLHS-NL recognizes grant payments as income when there is reasonable assurance that the grant conditions are met. These estimates could change materially based on lost revenue or expenses related to COVID-19 as well as the evolving grant compliance guidance provided by the government.

The CARES Act provides for an expansion of the Medicare Accelerated and Advance Payment Program (Accelerated Payment Program), which allows inpatient acute care hospitals to request accelerated payments of up to 100% of their Medicare payment amount for a six-month period. In April 2020, OLHS-NL received approximately \$65,500,000 from the Accelerated Payment Program before the Centers for Medicare & Medicaid Services (CMS) paused to reevaluate pending and new applications in light of direct payments made available through the PHSSEF.

Such accelerated payments are interest free for inpatient acute care hospitals for 12 months, and the Accelerated Payment Program requires CMS to recoup the payments by withholding future Medicare fee-for-service payments for claims until the full accelerated payment has been recouped. The Accelerated Payment Program currently requires that any outstanding balances be recouped at 25% of Medicare payments for the first 11 months, and if a balance still remains, the recoupment increases to 50% for 6 months. After that time, the remaining balance will be repaid or be subjected to a 10.25% annual interest rate. The recoupment started in April 2021 for OLHS-NL. OLHS-NL recorded \$17,578,664 and \$41,149,144 in other current liabilities on the accompanying consolidated balance sheets as of June 30, 2022 and 2021, respectively. OLHS-NL recorded \$0 and \$17,005,219 in other long-term liabilities on the accompanying consolidated balance sheets as of June 30, 2022 and 2021, respectively. The CARES Act also allows for deferred payment of the employer portion of certain payroll taxes between March 27, 2020 and June 30, 2020, with 50% due December 31, 2021, and the remaining 50% due December 31, 2022. OLHS-NL began deferring these payroll tax payments in April 2020. As of June 30, 2022 and 2021, OLHS-NL had deferred payroll tax payments of approximately \$5,200,000 and \$9,800,000, respectively, which are included in accrued compensation and benefits and other long-term liabilities on the accompanying consolidated balance sheets.

Ochsner LSU Health System of North Louisiana

Notes to Consolidated Financial Statements (continued)

**16. COVID-19 (continued)**

Due to the evolving nature of the COVID-19 pandemic, the ultimate impact to OLHS-NL and its financial condition is presently unknown.

**17. Subsequent Events**

Management has evaluated subsequent events through the date that the accompanying consolidated financial statements were available to be issued, October 19, 2022.



# Supplementary Information



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## Report of Independent Auditors on Supplementary Information

The Board of Directors  
Ochsner LSU Health System of North Louisiana and Subsidiaries

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Compensation Information as required under Louisiana Revised Statute 24:513A(1)(a)(3) is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

*Ernst & Young LLP*

March 30, 2023

Ochsner LSU Health System of North Louisiana

Schedule of Compensation Information

Year Ended June 30, 2022

Chief Executive Officer:

- Charles Daigle – July 1, 2021 – October 27, 2021
- David Callecod – October 28, 2021 – June 30, 2022

None of the Chief Executive Officers' compensation is paid from public funds received by Ochsner LSU Health System of North Louisiana.

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**AUDIT SERVICES REPORT  
ON APPLYING LOUISIANA STATEWIDE AGREED UPON PROCEDURES**

To the Board of Directors of Ochsner LSU Health System of North Louisiana and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2021 through June 30, 2022. The Entity's management is responsible for those C/C areas identified in the SAUPs.

Ochsner LSU Health System of North Louisiana (OLHS\_NL) has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period July 1, 2021 through June 30, 2022. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

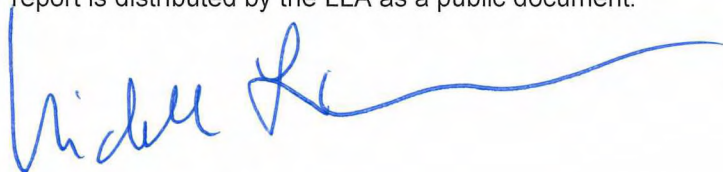
The procedures and associated results are noted beginning on page 2.

This agreed upon procedures engagement was conducted in conformity with the International Standards for the Professional Practice of Internal Auditing. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on these C/C areas identified and the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

During 2021, OLHS-NL received the following publicly funded grants:

1. Ryan White III Early Intervention Services
2. FEMA
3. HRSA Provider Relief

The report is intended solely to describe the scope of testing performed on these C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.



Michelle Lucas Huck

Vice President and Chief Audit Executive, Audit Services

Ochsner Health

New Orleans, LA

March 6, 2023

Agreed Upon Procedures	Results
<i>Written Policies and Procedures</i>	
<p>1. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:<sup>1</sup></p> <p>a) <b>Budgeting</b>, including preparing, adopting, monitoring, and amending the budget.</p> <p>b) <b>Purchasing</b>, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the Public Bid Law; and (5) documentation required to be maintained for all bids and price quotes.</p> <p>c) <b>Disbursements</b>, including processing, reviewing, and approving.</p> <p>d) <b>Receipts/Collections</b>, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).</p> <p>e) <b>Payroll/Personnel</b>, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.</p> <p>f) <b>Contracting</b>, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.</p> <p>g) <b>Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)</b>, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).</p> <p>h) <b>Travel and Expense Reimbursement</b>, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.</p> <p>i) <b>Ethics</b><sup>2</sup>, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible</p>	<p>1) Completed.</p> <p>a) No written policy exists for budgeting; however, OLHS-NL has a monthly process that includes operational leadership presenting their budget to actual variances to executive and system leadership. These results are combined and shared with the board quarterly.</p> <p>b) Written policy and procedures exist addressing items (1) through (3). Items (4) and (5) are not documented in written policies and procedures because, as a non-governmental agency, OLHS-NL is not statutorily bound by the Louisiana Procurement Code or public bid law.</p> <p>c) No written policy, but there is an overview of steps of the process available.</p> <p>d) Completed for Urgent Care. No written policy for the hospital side, but staff was able to articulate and demonstrate the process during on-site visits.</p> <p>e) Completed.</p> <p>f) No written policy, but the contracting process is overseen by General Counsel who identifies the types of services requiring written contracts, standard terms and conditions, legal review, approval, and monitoring.</p> <p>g) Completed.</p> <p>h) Completed.</p>

<sup>1</sup> For governmental organizations, the practitioner may eliminate those categories and subcategories not applicable to the organization's operations. For quasi-public organizations, including nonprofits, the practitioner may eliminate those categories and subcategories not applicable to public funds administered by the quasi-public.

<sup>2</sup> The Louisiana Code of Ethics is generally not applicable to nonprofit entities but may be applicable in certain situations, such as councils on aging. If ethics is applicable to a nonprofit, the nonprofit should have written policies and procedures relating to ethics.

<p>ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.</p> <p>j) <b>Debt Service</b>, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.</p> <p>k) <b>Information Technology Disaster Recovery/Business Continuity</b>, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.</p> <p>l) <b>Sexual Harassment</b>, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.</p>	<p>i) As a non-profit, the Louisiana Code of Ethics is not applicable to OLHS NL.</p> <p>j) No written policy exists, however OLHS NL follows proper guidelines in regard to approval and issuance of new debt services. OLHS NL also files compliance certificates to ensure proper requirements are met.</p> <p>k) Completed.</p> <p>l) Although OLHS NL is not subject to R.S. 42:342-344, it does maintain an Anti-discrimination, Non-Retaliation, &amp; Harassment Free Environment Policy which addresses Sexual Harassment.</p>
<p><i>Board or Finance Committee<sup>3</sup></i></p>	
<p>2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:</p> <p>a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.</p> <p>b) For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds<sup>4</sup>, and semi-annual budget-to-actual, at a minimum, on all special revenue funds<sup>7</sup>. <i>Alternately, for those entities reporting on the nonprofit accounting model, observe that the minutes referenced or included financial activity relating to public funds<sup>5</sup> if those public funds</i></p>	<p>2) Completed.</p> <p>a) No exceptions noted.</p> <p>b) No exceptions noted.</p> <p>c) N/A – not a government entity.</p>

<sup>3</sup> These procedures are not applicable to entities managed by a single elected official, such as a sheriff or assessor.

<sup>4</sup> Proprietary and special revenue funds are defined under GASB standards. The related procedure addresses these funds as a way to verify that boards are provided with financial information necessary to make informed decisions about entity operations, including proprietary and special revenue operations that are not required to be budgeted under the Local Government Budget Act.

<sup>5</sup> R.S. 24:513 (A)(1)(b)(iv) defines public funds.

<p><i>comprised more than 10% of the entity's collections during the fiscal period.</i></p> <p>c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.</p>	
<p><i>Bank Reconciliations</i></p>	
<p>3. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts<sup>6</sup> (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:</p> <p>a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);</p> <p>b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and</p> <p>c) Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.</p>	<p>3) Audit Services observed two of the five reconciliations tested were completed offline. Management was unable to provide evidence showing the date of reconciliation preparation or evidence of review. See <b>Management's Corrective Action Plan</b> for details on how this finding will be remediated.</p>
<p><i>Collections (excluding electronic funds transfers)<sup>7</sup></i></p>	
<p>4. Obtain a listing of deposit sites<sup>8</sup> for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).</p> <p>5. For each deposit site selected, obtain a listing of collection locations<sup>9</sup> and management's representation that the listing is complete. Randomly select one collection location for each</p>	<p>4) Completed.</p> <p>5) Completed.</p> <p>a) No exceptions noted.</p> <p>b) No exceptions noted.</p> <p>c) No exceptions noted.</p> <p>d) No exceptions noted.</p>

<sup>6</sup> Accounts selected may exclude savings and investment accounts that are not part of the entity's daily business operations.

<sup>7</sup> The Collections category is not required to be tested if the entity has a third party contractor performing all collection functions (i.e., receiving collections, preparing deposits, and making deposits).

<sup>8</sup> A deposit site is a physical location where a deposit is prepared and reconciled.

<sup>9</sup> A collection location is a physical location where cash is collected. An entity may have one or more collection locations whose collections are brought to a deposit site for deposit. For example, in a school district a collection location may be a classroom and a deposit site may be the school office.



<p>deposit site (i.e., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:</p> <ul style="list-style-type: none"> <li>a) Employees responsible for cash collections do not share cash drawers/registers.</li> <li>b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit.</li> <li>c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.</li> <li>d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, are not responsible for collecting cash, unless another employee/official verifies the reconciliation.</li> </ul> <p>6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe the bond or insurance policy for theft was enforced during the fiscal period.</p> <p>7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). <i>Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.</i> Obtain supporting documentation for each of the 10 deposits and:</p> <ul style="list-style-type: none"> <li>a) Observe that receipts are sequentially pre-numbered.</li> <li>b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.</li> <li>c) Trace the deposit slip total to the actual deposit per the bank statement.</li> <li>d) Observe the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).</li> </ul>	<ul style="list-style-type: none"> <li>6) Completed.</li> <li>7) Completed. <ul style="list-style-type: none"> <li>a) No exceptions noted.</li> <li>b) No exceptions noted.</li> <li>c) No exceptions noted.</li> <li>d) No exceptions noted.</li> <li>e) No exceptions noted.</li> </ul> </li> </ul>
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<p>e) Trace the actual deposit per the bank statement to the general ledger.</p>	
<p><b><i>Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)</i></b></p>	
<p>8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).</p> <p>9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:</p> <p>a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.</p> <p>b) At least two employees are involved in processing and approving payments to vendors.</p> <p>c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.</p> <p>d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.</p> <p>[Note: Exceptions to controls that constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality) should not be reported.]</p> <p>10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and:</p> <p>a) Observe whether the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.</p> <p>b) Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.</p>	<p>8) Per AP, all invoices and checks are processed at 1 location.</p> <p>9) Completed. a) No exceptions noted. b) No exceptions noted. c) No exceptions noted. d) No exceptions noted.</p> <p>10) Completed. a) No exceptions noted. b) No exceptions noted.</p>
<p><b><i>Credit Cards/Debit Cards/Fuel Cards/P-Cards</i></b></p>	

<p>11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards<sup>10</sup>. Obtain management's representation that the listing is complete.</p> <p>12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:</p> <p>a) Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]</p> <p>b) Observe that finance charges and late fees were not assessed on the selected statements.</p> <p>13. Using the monthly statements or combined statements selected under #12 above, <u>excluding fuel cards</u>, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e., each card should have 10 transactions subject to testing)<sup>11</sup>. For each transaction, observe it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.</p>	<p>11) Completed.</p> <p>12) Completed.</p> <p>a) Exceptions noted. Prior to June 2022, there was no official workflow for the credit card and fuel card approval process. See Management's Corrective Action Plan below.</p> <p>b) No exceptions noted.</p> <p>13) Completed. Exceptions noted related to documentation of the individuals participating in meals. See Management's Corrective Action Plan below.</p>
<p><b><i>Travel and Travel-Related Expense Reimbursements<sup>12</sup> (excluding card transactions)</i></b></p>	
<p>14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the</p>	<p>14) Completed.</p> <p>a) No exceptions noted.</p> <p>b) No exceptions noted.</p> <p>c) No exceptions noted.</p> <p>d) No exceptions noted.</p>

<sup>10</sup> Including cards used by school staff for either school operations or student activity fund operations.

<sup>11</sup> For example, if 3 of the 5 cards selected were fuel cards, only 10 transactions would be selected for each of the 2 credit cards. Conceivably, if all 5 cards randomly selected under procedure #12 were fuel cards, Procedure #13 would not be applicable.

<sup>12</sup> Non-travel reimbursements are not required to be tested under this category.

<p>supporting documentation. For each of the 5 reimbursements selected:</p> <ul style="list-style-type: none"> <li>a) If reimbursed using a per diem, observe the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (<a href="http://www.gsa.gov">www.gsa.gov</a>).</li> <li>b) If reimbursed using actual costs, observe the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.</li> <li>c) Observe each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).</li> <li>d) Observe each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.</li> </ul>	
<b>Contracts</b>	
<p>15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. <i>Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.</i> Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, <u>excluding the practitioner's contract</u>, and:</p> <ul style="list-style-type: none"> <li>a) Observe whether the contract was bid in accordance with the Louisiana Public Bid Law<sup>13</sup> (e.g., solicited quotes or bids, advertised), if required by law.</li> <li>b) Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter).</li> <li>c) If the contract was amended (e.g., change order), observe the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, was approval documented).</li> <li>d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe the invoice and related payment agreed to the terms and conditions of the contract.</li> </ul>	<p>15) Completed.</p> <ul style="list-style-type: none"> <li>a) N/A, OLHS-NL is not subject to the Louisiana Public Bid Law.</li> <li>b) N/A, contracts are not required to be approved by policy or law.</li> <li>c) No exceptions were found as a result of this procedure.</li> <li>d) No exceptions were found as a result of this procedure.</li> </ul>

<sup>13</sup> If the entity has adopted the state Procurement Code, replace "Louisiana Public Bid Law" with "Louisiana Procurement Code."

<b>Payroll and Personnel</b>	
<p>16. Obtain a listing of employees and officials<sup>14</sup> employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.</p> <p>17. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:</p> <ul style="list-style-type: none"> <li>a) Observe all selected employees or officials<sup>15</sup> documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, officials are not eligible to earn leave and do not document their attendance and leave. However, if the official is earning leave according to a policy and/or contract, the official should document his/her daily attendance and leave.)</li> <li>b) Observe whether supervisors approved the attendance and leave of the selected employees or officials.</li> <li>c) Observe any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.</li> <li>d) Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.</li> </ul> <p>18. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee or officials' cumulative leave records, agree the pay rates to the employee or officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.</p> <p>19. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.</p>	<p>16) Completed. No exceptions were found as a result of this procedure.</p> <p>17) Completed.</p> <ul style="list-style-type: none"> <li>a) No exceptions were found as a result of this procedure.</li> <li>b) No exceptions were found as a result of this procedure.</li> <li>c) No exceptions were found as a result of this procedure.</li> <li>d) No exceptions were found as a result of this procedure.</li> </ul> <p>18) Completed. No exceptions were found as a result of this procedure.</p> <p>19) Completed.</p>
<b>Ethics<sup>16</sup></b>	

<sup>14</sup> "Officials" would include those elected, as well as board members who are appointed.

<sup>15</sup> "Officials" would include those elected, as well as board members who are appointed.

<sup>16</sup> The Louisiana Code of Ethics is generally not applicable to nonprofit entities but may be applicable in certain situations, such as councils on aging. If ethics is applicable to a nonprofit, the procedures should be performed.

<p>20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:</p> <p>a) Observe whether the documentation demonstrates each employee/official Completed. one hour of ethics training during the fiscal period.</p> <p>b) Observe whether the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.</p>	<p>20) The Louisiana Code of Ethics is not applicable to Ochsner as it is a nonprofit entity.</p>
<p><b>Debt Service<sup>17</sup></b></p>	
<p>21. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe State Bond Commission approval was obtained for each debt instrument issued.</p> <p>22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).</p>	<p>21) Completed. No exceptions noted.</p> <p>22) Completed. No exceptions noted.</p>
<p><b>Fraud Notice</b></p>	
<p>23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.</p> <p>24. Observe the entity has posted, on its premises<sup>18</sup> and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.<sup>19</sup></p>	<p>23) Completed. No misappropriations were noted.</p> <p>24) The notice was observed on the premises. However, it was not observed on the website concerning the reporting of misappropriation, fraud, waste, or abuse of public funds. See <b>Management's Corrective Action Plan</b> for details on how this finding will be remediated.</p>
<p><b>Information Technology Disaster Recovery/Business Continuity</b></p>	
<p>25. Perform the following procedures, <b>verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."</b></p>	<p>25) Completed.</p>

<sup>17</sup> This AUP category is generally not applicable to nonprofit entities; however, if applicable, the procedures should be performed.

<sup>18</sup> Observation may be limited to those premises that are visited during the performance of other procedures under the AUPs.

<sup>19</sup> This notice is available for download or print at [www.la.gov/hotline](http://www.la.gov/hotline).

<p>a) Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.</p> <p>b) Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.</p> <p>c) Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.</p>	<p>a) We performed the procedure and discussed the results with management.</p> <p>b) We performed the procedure and discussed the results with management.</p> <p>c) We performed the procedure and discussed the results with management.</p>
<p><b>Sexual Harassment<sup>20</sup></b></p>	
<p>26. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee/official Completed. at least one hour of sexual harassment training during the calendar year.</p> <p>27. Observe the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).</p> <p>28. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe it includes the applicable requirements of R.S. 42:344:</p> <p>a) Number and percentage of public servants in the agency who have Completed. the training requirements;</p>	<p>26. – 28.) As Ochsner is a private non-profit, it is not subject to the sexual harassment law, R.S. 42:341, et seq. Additionally, Audit Services reviewed funding terms and conditions and noted Ochsner was not subject to the law as part of its agreement to receive the public funds.</p>

<sup>20</sup> A private non-profit that is subject to audit by virtue of the receipt of public funds does not appear to be subject to the sexual harassment law, R.S. 42:341, et seq. However, the non-profit could be subject to the law as part of its agreement to receive the public funds.

**Audit Services Department**

<ul style="list-style-type: none"><li>b) Number of sexual harassment complaints received by the agency;</li><li>c) Number of complaints which resulted in a finding that sexual harassment occurred;</li><li>d) Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and</li><li>e) Amount of time it took to resolve each complaint.</li></ul>	
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### Management's Corrective Action Plan for the 2022 LLA Statewide Agreed Upon Procedures

Related to **Procedure 3**, (A) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged); (B) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged), Audit Services observed two of the five reconciliations tested were completed outside of BlackLine, the electronic reconciliation database, and management was unable to provide evidence showing the date of reconciliation preparation or evidence of review. Per Management, these reconciliations were completed outside of BlackLine due to the training of a new staff member. As of FY 2023, all reconciliations are prepared and reviewed in BlackLine, which electronically logs the preparer, date of preparation, reviewer, and date of review. Audit Services has confirmed and tested for the implementation of BlackLine for reconciliations in FY23 without exception.

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**Procedure 12a** states, *observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder.* Although the ComData files were provided and AP explained the review and approval process, management's review and approval of the credit card transactions was not evident on the support provided.

**Procedure 13** states, *using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e., each card should have 10 transactions subject to testing) [11]. For each transaction, observe it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) **documentation of the individuals participating in meals (for meal charges only)**.* For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny. In response to procedure 13(3), there were meal receipts and transactions, but the participants of certain meals were not clearly identified for the employee samples provided.

Management has remediated the findings related to Procedures 12a & 13(3) by utilizing EmBER to approve and review credit card transactions and statements beginning in June 2022. Audit Services confirmed this by testing two additional samples for the month of June 2022. For an employee to submit receipts for reimbursement purposes through EmBER, the information requested in the procedures (12a and 13) is required for employees to receive their reimbursements. In the event an employee is not seeking a reimbursement, the above information is still requested following any company credit card purchases that must be reported.

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Related to **Procedure 24**, *Observe the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.* Audit Services was able to observe the notice at three different urgent care locations across North Louisiana. However, Audit Services was not able to observe the Fraud, Waste, and Abuse notice on the OLHS-NL website as of the testing date. Compliance has since contacted the marketing department and provided them with Fight Fraud signage so it can be posted on OLHS-NL website to fulfill the requirements of this procedure. Audit Services verified that as of March 3, 2023, the Fraud, Waste, and Abuse notice is posted on the OLHS-NL website.