METROPOLITAN HOSPITAL COUNCIL
OF NEW ORLEANS, INC. AND SUBSIDIARY

Audits of Consolidated Financial Statements

December 31, 2019 and 2018

LAPORTE
CPAs & BUSINESS ADVISORS

Contents

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Independent Auditor's Report

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

Report on the Consolidated Financial Statements
We have audited the accompanying consolidated financial statements of Metropolitan Hospital Council of New Orleans, Inc. and Subsidiary (collectively, the Council), which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Metropolitan Hospital Council of New Orleans, Inc. and Subsidiary as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued a report dated June 26, 2020, on our consideration of Metropolitan Hospital Council of New Orleans, Inc. and Subsidiary's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Metropolitan Hospital Council of New Orleans, Inc. and Subsidiary's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Metropolitan Hospital Council of New Orleans, Inc. and Subsidiary's internal control over financial reporting and compliance.

LaPorte

A Professional Accounting Corporation

Metairie, LA
June 26, 2020

METROPOLITAN HOSPITAL COUNCIL OF NEW ORLEANS, INC. AND SUBSIDIARY
Consolidated Statements of Financial Position
December 31, 2019 and 2018

	2019	2018
Assets		
Current Assets		
Cash and Cash Equivalents	$ 1,228,499	$ 1,491,696
Due from Affiliates	25	60
Accounts Receivable	114,781	185,938
Prepaid Expenses	32,020	34,132
Total Current Assets	1,375,325	1,711,826
Noncurrent Assets		
Investment in Affiliate	554,900	493,617
Property and Equipment (Net of Accumulated Depreciation of $120,990 in 2019 and $118,349 in 2018)	6,083	6,524
	560,983	500,141
Total Assets	$ 1,936,308	$ 2,211,967
Liabilities and New Assets		
Current Liabilities		
Accounts Payable and Accrued Expenses	$ 37,308	$ 126,228
Unearned HHS Grant Revenue	15,793	270,481
Total Liabilities	53,101	396,709
Net Assets Without Donor Restrictions	1,883,207	1,815,258
Total Liabilities and Net Assets	$ 1,936,308	$ 2,211,967

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

METROPOLITAN HOSPITAL COUNCIL OF NEW ORLEANS, INC. AND SUBSIDIARY
Consolidated Statements of Activities
For the Years Ended December 31, 2019 and 2018

	2019	2018
Revenues, Gains, and Other Support		
HHS Grant Revenue	$ 340,688	$ 320,215
Membership Dues	273,000	273,000
Equity in Income (Loss) of Affiliate	61,282	(42,394)
Sponsorship Revenue	25,000	25,000
Other Revenue	15,403	18,775
Management Fees	11,400	25,000
Investment Return, Net	4,695	4,557
Education Program	-	2,000
Total Revenues, Gains, and Other Support	731,468	626,153
Expenses		
Program Expenses		
HHS Grants	340,816	324,360
Management Fees	220,041	250,635
Contributions	-	1,000
Education Fees	-	1,940
Supporting Expenses		
Professional Fees and Advocacy Expenses	31,126	32,288
Office and Other Expenses	28,908	18,687
Rent	28,753	27,173
Federal/State Taxes	5,741	-
Travel and Meetings	5,493	3,216
Depreciation	2,641	3,984
Total Expenses	663,519	663,283
Change in Net Assets	67,949	(37,130)
Net Assets, Beginning of Year	1,815,258	1,852,388
Net Assets, End of Year	$ 1,883,207	$ 1,815,258

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

METROPOLITAN HOSPITAL COUNCIL OF NEW ORLEANS, INC. AND SUBSIDIARY
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2019 and 2018

		2019		2018
Cash Flows from Operating Activities				
Change in Net Assets	$	67,949	$	(37,130)
Adjustments to Reconcile Change in Net Assets to Net Cash (Used in) Provided by Operating Activities				
Equity in (Income) Loss of Affiliate		(61,282)		42,394
Depreciation		2,641		3,984
Decrease (Increase) in Assets				
Accounts Receivable		71,157		(90,079)
Prepaid Expenses		2,112		(4,114)
Due from Affiliates		35		369
(Decrease) Increase in Liabilities				
Accounts Payable and Accrued Expenses		(88,921)		84,803
Due to Affiliates		-		(1,890)
Unearned HHS Grant Revenue		(254,688)		9,586
Net Cash (Used in) Provided by Operating Activities		(260,997)		7,923
Cash Flows from Investing Activities				
Proceeds from Distribution of Earnings in Affiliate		-		125,001
Purchase of Property and Equipment		(2,200)		-
Net Cash (Used in) Provided by Investing Activities		(2,200)		125,001
(Decrease) Increase in Cash and Cash Equivalents		(263,197)		132,924
Cash and Cash Equivalents, Beginning of Year		1,491,696		1,358,772
Cash and Cash Equivalents, End of Year	$	1,228,499	$	1,491,696
Supplemental Disclosure of Cash Flow Information				
Cash Paid During the Year for Taxes	$	-	$	-

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

Note 1. Summary of Significant Accounting Policies

Nature of Activities

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

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

Principles of Consolidation

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

Basis of Accounting

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

Accounting Estimates

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

Cash and Cash Equivalents

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

Investments in Affiliates

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

Note 1. Summary of Significant Accounting Policies (Continued)

Investments in Affiliates (Continued)

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

Accounts Receivable

The Council considers accounts receivable to be fully collectible. As mentioned below, the Council adopted Accounting Standards Update (ASU) 2014-09. As such, any amounts deemed uncollectible are considered an implicit price concession resulting in a direct reduction to operating revenues. For the year ended December 31, 2018, the Council utilized the direct write-off method, whereby amounts deemed uncollectable were charged to operations when that determination was made. The use of this method does not differ materially from the allowance method required by accounting principles generally accepted in the United States of America for the year ended December 31, 2018.

Property and Equipment

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

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

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

Income Taxes

As mentioned above, the consolidated financial statements include the for-profit corporation MMC. Income taxes are calculated based on the tax effects of MMC transactions reported in the consolidated financial statements. The provision on the consolidated statements of activities consists of taxes currently due plus any provision for deferred taxes, which could result from different reporting methods for the consolidated financial statements versus the tax returns, when applicable. Such differences were insignificant as of December 31, 2019 and 2018, and, accordingly, no deferred tax provision has been recorded to date.

Note 1. Summary of Significant Accounting Policies (Continued)

Uncertain Tax Positions

Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. The Council believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the consolidated financial statements. Penalties and interest assessed by income taxing authorities, if any, would be included in operating expenses.

Net Assets

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

Functional Expenses

In accordance with the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic, *Not-for-Profit Entities*, the Council is required to provide information about expenses reported by their functional classification. For classification purposes, the Council considers management fees, Health & Human Services (HHS) grant expenses, contributions, and professional and education expenses as program expenses. Salaries and benefits of any and all employees are included in the consolidated financial statements as a component of management fees and HHS grant expenses. For the years ended December 31, 2019 and 2018, program expenses were approximately 85% and 87%, respectively, of the total expenses of the Council.

Fair Values of Financial Instruments

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

Fair Values of Financial Instruments (Continued)
The fair value hierarchy is categorized into three levels based on the inputs as follows:

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

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

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

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

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

Certificates of Deposit: The fair value is determined using the rates currently offered for deposits of similar remaining maturities.

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

The majority of the Council's revenue is derived from annual membership dues, and federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Revenues are recognized when the Council has incurred expenditures in compliance with specific contract or grant provisions.

Note 1. Summary of Significant Accounting Policies (Continued)

Newly Adopted Accounting Standard

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, to supersede nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity is expected to be entitled for those goods or services. ASU 2014-09 defines a five-step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than required under existing U.S. GAAP, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each performance obligation. The Council has undertaken a comprehensive analysis of the impact of the new standard based on a review of the contractual terms of its principal revenue streams with the primary focus being to understand whether the timing and amount of revenue recognized could differ under ASU 2014-09. Changes in accounting policies resulting from ASU 2014-09 have been applied using the modified retrospective method of application to contracts that were not complete as of the date of initial application. The implementation did not result in any adjustment to net assets. For its annual membership dues, the Council's revenue coincides with the beginning of each calendar year with fulfillment of all contractual obligations at the end of each calendar year. As such, the adoption of ASU 2014-09 had no material impact in respect of the timing and amount of revenue recognized by the Council. Under ASU 2014-09, most estimated uncollectable amounts due are generally considered implicit price concessions that are a direct reduction to operating revenues, with a corresponding reduction in the recorded receivable amount.

Not Yet Adopted Accounting Standard

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

Note 2. Property and Equipment

A summary of property and equipment are as follows as of December 31, 2019 and 2018:

		2019		2018
Furniture and Fixtures	$	15,457	$	15,457
Office Equipment		92,954		90,754
Leasehold Improvements		18,662		18,662
		127,073		124,873
Less: Accumulated Depreciation		120,990		118,349
Total	$	6,083	$	6,524

Depreciation expense was $2,641 and $3,984 for the years ended December 31, 2019 and 2018, respectively.

Note 3. Investment in Affiliate

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

		2019		2018
Balance Sheet				
Assets	$	2,214,788	$	1,388,595
Liabilities	$	1,104,990	$	401,359
Equity		1,109,798		987,236
	$	2,214,788	$	1,388,595
Income Statement				
Revenues	$	926,585	$	912,903
Expenses		804,025		997,691
Net Income (Loss)		122,560		(84,788)
		50%		50%
Council's Share of Net Income (Loss)	$	61,282	$	(42,394)

Note 4. Employee Benefit Plan

The Council participates in a multiple-employer 401(k) retirement plan with LHA. The Council contributed up to 8.5% of each employee's compensation to the 401(k) retirement plan for the years ended December 31, 2019 and 2018. The Council made contributions of $1,329 and $1,358 to the 401(k) retirement plan during the years ended December 31, 2019 and 2018, respectively.

Note 5. Compensated Absences and Post-Employment Benefits

In addition to salaries and wages accrued in the normal course of operations, the Council adopted a Paid Time Off (PTO) policy effective January 1, 2003. The policy provides PTO benefits based on classification and length of service. During 2019 and 2018, employees were allowed to carry over a maximum of seventy-five percent of their total current annual PTO earnings. Upon termination of employment or retirement, their unused PTO benefits are payable at a maximum amount equal to seventy-five percent of the total current annual PTO earning capacity. The Council has accrued $5,185 and $5,056, as of December 31, 2019 and 2018, respectively, in accordance with the provisions of this policy. The amount accrued is included as a component of accounts payable and accrued expenses.

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

Note 6. Related Party Transactions

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

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

The Council provides management and support services to ShareCor. The Council received $11,400 and $25,000 in management fee revenue from ShareCor which was included as management fees for the years ended December 31, 2019 and 2018, respectively. ShareCor pays the Council for its use of shared office space, equipment, and supplies of the Council. For the years ended December 31, 2019 and 2018, ShareCor reimbursed the Council for these expenses in the amounts of $27,062 and $27,192, respectively. Certain other operating costs incurred by the Council are directly reimbursed by ShareCor and are recorded as receivables until received.

Note 6. Related Party Transactions (Continued)

ShareCor is a contributor to the Council's activities, by way of a $25,000 annual sponsorship fee, as reflected on the consolidated statements of activities for each of the years ended December 31, 2019 and 2018.

LHA provides management and administrative support to the Council. The Council incurred management fees to LHA of $220,041 and $250,635, for the years ended December 31, 2019 and 2018, respectively. The Council also incurred fees for accounting services. For each the years ended December 31, 2019 and 2018, accounting fees were $21,000 and $20,000, respectively. These expenses are categorized within professional fees and advocacy expenses on the consolidated statements of activities.

In addition to the services provided by LHA to the Council, the Council serves as a regional coordinator under a federal grant program administered by LHA. Payments are passed through LHA to the Council for these services.

As of December 31, 2019 and 2018, the net amount due to LHA totaled $-0- and $-0-, respectively.

Note 7. Leases

The Council leases office space under an operating lease. Rental expense under the operating lease for each of the years ended December 31, 2019 and 2018, totaled $53,298 and $50,278, respectively; however, ShareCor reimbursed the Council $23,182 each year for the use of office space. The amount received from ShareCor was netted against the expense for a net total of $28,753 and $27,173, which is reflected as rent expense on the consolidated statements of activities for the years ended December 31, 2019 and 2018, respectively. The Council's lease of its office space is scheduled to terminate in December 2020.

Minimum future rentals expected to be paid on the lease as of December 31, 2019 are as follows:

Year Ending December 31,	Amount
2020	$ 53,781
Total	$ 53,781

Note 8. Credit Risks and Other Concentrations

Concentration of Income

The Council owns 50% of ShareCor as mentioned in Note 1. A significant source of cash flows for the Council is the equity distributions received from ShareCor. ShareCor's primary source of income is from an ongoing participation in a group-purchasing program. Even though management feels the revenue stream will continue for the foreseeable future, ShareCor has no control of any contract or participants in the group-repurchasing program.

Concentration of Credit Risk

The Council periodically maintains cash deposits in an insured cash sweep accounts with a major financial institution in excess of federally insured limits. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per financial institution. There were no amounts in excess at December 31, 2019. At December 31, 2018, the Council had approximately $378,000 on deposit in excess of the FDIC insured limit. The Council has not experienced any losses and does not believe that significant credit risk exists as a result of this practice.

Note 9. Income Tax Expense

Income tax expense, principally associated with the operations of MMC, consisted of the following for the years ended December 31, 2019 and 2018:

	2019	2018
Current		
Federal	**$ -**	$ -
State	**-**	-
Total	**$ -**	$ -

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

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

MMC's tax payments in excess of amounts owed totaled approximately $22,000 and $26,000 at December 31, 2019 and 2018, respectively. These amounts are included in prepaid expenses.

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

The Council is currently engaged in three separate agreements with LHA to provide services for the Hospital Preparedness Program. Each agreement covers a 12-month period, expiring in various months based on the respective effective date of the agreement. The Council recognizes the revenues associated with these contracts as they are earned and the expenses as they are incurred. Funds received in excess of revenue earned are recorded as unearned revenue in the consolidated statements of financial position. At December 31, 2019 and 2018, the Council has deferred revenue of $15,432 and $270,481, respectively.

Note 11. Liquidity and Availability

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

	2019	2018
Cash and Cash Equivalents	**$ 1,228,499**	$ 1,491,696
Due from Affiliates	**25**	60
Accounts Receivable	**114,781**	185,938
Total	**$ 1,343,305**	$ 1,677,694

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

Note 12. Revenues

The Council recognizes revenue in accordance with ASC *Topic 606*, *Revenue from Contracts with Customers*, as mentioned in Note 1. Operating revenues are reported at the amount that reflects the consideration the Council expects to be entitled to under their contracts with third parties. The Council's performance obligations are satisfied over the course of the calendar year.

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

Note 12. Revenues (Continued)

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

Note 13. Subsequent Events

Management has evaluated subsequent events through the date that the consolidated financial statements were available to be issued, June 26, 2020, and determined that the following events require disclosure.

Subsequent to the consolidated balance sheet date of December 31, 2019, the COVID-19 pandemic rapidly escalated in the State of Louisiana. The impact to the Council and its operations due to the pandemic are uncertain as of the date of this report.

No other subsequent events occurring after June 26, 2020 have been evaluated for inclusion in these consolidated financial statements.

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

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Metropolitan Hospital Council of New Orleans, Inc. and Subsidiary (the Council), which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities and cash flows for the year ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 26, 2020.

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

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

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

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

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

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

LaPorte

A Professional Accounting Corporation

Metairie, LA
June 26, 2020

Schedule of Findings and Responses
For the Year Ended December 31, 2019

No findings noted in current year or prior year.

SUPPLEMENTARY INFORMATION

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

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

See independent auditor's report.

METROPOLITAN HOSPITAL COUNCIL OF NEW ORLEANS, INC AND SUBSIDIARY
Consolidating Statement of Financial Position
December 31, 2018

	MHCNO	MMC	Eliminating Entries	Consolidated
Assets				
Cash and Cash Equivalents	$ 1,201,674	$ 290,022	$ -	$ 1,491,696
Due from Affiliates	-	60	-	60
Accounts Receivable	185,938	-	-	185,938
Prepaid Expenses	7,995	26,137	-	34,132
Investment in Affiliate	316,170	177,447	-	493,617
Investment in Metropolitan Management Corporation	493,666	-	(493,666)	-
Property and Equipment, Net	6,524	-	-	6,524
Total Assets	$ 2,211,967	$ 493,666	$ (493,666)	$ 2,211,967
Liabilities				
Accounts Payable and Accrued Expenses	$ 126,228	$ -	$ -	$ 126,228
Unearned HHS Grant Revenue	270,481	-	-	270,481
Total Liabilities	396,709	-	-	396,709
Net Assets Without Donor Restrictions	1,815,258	493,666	(493,666)	1,815,258
Total Liabilities and Unrestricted Net Assets	$ 2,211,967	$ 493,666	$ (493,666)	$ 2,211,967

See independent auditor's report.

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

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

See independent auditor's report.

METROPOLITAN HOSPITAL COUNCIL OF NEW ORLEANS, INC AND SUBSIDIARY
Consolidating Statement of Activities
For the Year Ended December 31, 2018

	MHCNO	MMC	Eliminating Entries	Consolidated
Revenues, Gains, and Other Support				
Membership Dues	$ 273,000	$ -	$ -	$ 273,000
HHS Grant Revenue	320,215	-	-	320,215
Equity in Loss of Metropolitan Management Corporation	(13,539)	-	13,539	-
Equity in Loss of Affiliate	(25,437)	(16,957)	-	(42,394)
Management Fees	25,000	-	-	25,000
Sponsorship Revenue	25,000	-	-	25,000
Investment Return, Net	4,557	-	-	4,557
Education Program	-	2,000	-	2,000
Other	14,379	4,396	-	18,775
Total Revenues, Gains (Losses), and Other Support	623,175	(10,561)	13,539	626,153
Expenses				
Program Expenses				
HHS Grants	324,360	-	-	324,360
Contributions	-	1,000	-	1,000
Education Fees	-	1,940	-	1,940
Management Fees	250,635	-	-	250,635
Supporting Expenses				
Professional Fees and Advocacy Expenses	32,288	-	-	32,288
Office and Other Expenses	18,649	38	-	18,687
Rent	27,173	-	-	27,173
Travel and Meetings	3,216	-	-	3,216
Federal/State Taxes	-	-	-	-
Depreciation	3,984	-	-	3,984
Bad Debt Expense	-	-	-	-
Total Expenses	660,305	2,978	-	663,283
Change in Net Assets	(37,130)	(13,539)	13,539	(37,130)
Net Assets, Beginning of Year	1,852,388	307,205	(307,205)	1,852,388
Plus: Capital Contributions	-	200,000	(200,000)	-
Net Assets, End of Year	$ 1,815,258	$ 493,666	$ (493,666)	$ 1,815,258

See independent auditor's report.

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Independent Auditor's Report on the Supplementary Information

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

We have audited the consolidated financial statements of Metropolitan Hospital Council of New Orleans and Subsidiary as of and for the years ended December 31, 2019 and 2018, and our report thereon dated June 26, 2020, which expressed an unmodified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. We have not performed any procedures with respect to the audited financial statements subsequent to June 26, 2020.

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

LaPorte

A Professional Accounting Corporation

Metairie, LA
June 26, 2020

Schedule of Compensation, Benefits, and Other Payments to Agency Head
For the Year Ended December 31, 2019

Agency Head
Jennifer McMahon, Executive Director

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

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