

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

Audits of Consolidated Financial Statements

December 31, 2016 and 2015



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## **Independent Auditor's Report**

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

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Louisiana Hospital Association and Subsidiary and Louisiana Hospital Association Research and Education Foundation (collectively, the Association) which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Consolidated Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

### **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Louisiana Hospital Association and Subsidiary and Louisiana Hospital Association Research and Education Foundation as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating statements of activities as of December 31, 2016 and December 31, 2015, are presented for the purpose of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2017, on our consideration of Louisiana Hospital Association and Subsidiary and Louisiana Hospital Association Research and Education Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Louisiana Hospital Association and Subsidiary and Louisiana Hospital Association Research and Education Foundation's internal control over financial reporting and compliance.



A Professional Accounting Corporation

Metairie, LA  
May 5, 2017

**LOUISIANA HOSPITAL ASSOCIATION AND SUBSIDIARY and  
LOUISIANA HOSPITAL ASSOCIATION RESEARCH AND EDUCATION FOUNDATION**  
Consolidated Statements of Financial Position  
December 31, 2016 and 2015

	2016	2015
<b>Assets</b>		
Cash and Cash Equivalents	\$ 6,585,417	\$ 6,446,638
Cash - Restricted, Contracts, and Grants	354,676	476,624
Accounts Receivable	2,077,132	2,072,450
Accounts Receivable - Contracts and Grants	533,396	146,980
Due from Affiliates	36	9,299
Prepays and Other Assets	1,322,019	1,265,138
Investment in Affiliate	513,205	479,320
Investments	7,858,408	7,488,036
Property and Equipment, Net	1,582,491	1,622,191
<b>Total Assets</b>	<b>\$ 20,826,780</b>	<b>\$ 20,006,676</b>
<b>Liabilities</b>		
Accounts Payable	\$ 27,641	\$ 177,354
Due to Affiliates	34,000	1,956
Treasury Payable	781,431	855,350
Deferred Revenue	4,386,012	4,191,486
Other Accrued Liabilities	676,261	506,619
Deferred Tax Liability	124,523	130,482
<b>Total Liabilities</b>	<b>6,029,868</b>	<b>5,863,247</b>
<b>Unrestricted Net Assets</b>		
Undesignated	14,796,912	14,143,429
<b>Total Net Assets</b>	<b>14,796,912</b>	<b>14,143,429</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 20,826,780</b>	<b>\$ 20,006,676</b>

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

**LOUISIANA HOSPITAL ASSOCIATION AND SUBSIDIARY and  
LOUISIANA HOSPITAL ASSOCIATION RESEARCH AND EDUCATION FOUNDATION**  
**Consolidated Statements of Activities**  
**For the Years Ended December 31, 2016 and 2015**

	2016	2015
<b>Revenues, Gains, and Other Support</b>		
Institutional Revenue	\$ 4,125,589	\$ 3,922,571
Non-Institutional Revenue	255,207	221,879
Educational Activities	960,686	942,479
Equity in Income (Loss) of Affiliate	177,189	(40,860)
Investment Income (Loss)	360,915	(52,376)
Management Fees	467,921	503,973
Direct Contract and Grant Revenue	2,079,338	894,157
Indirect Contract and Grant Revenue	96,416	83,743
Other Revenue	146,385	58,277
<b>Total Revenues, Gains, and Other Support</b>	<b>8,669,646</b>	<b>6,533,843</b>
<b>Expenses</b>		
Program Expenses		
Salaries, Wages, and Benefits	3,231,574	3,283,860
Educational Activities	620,747	565,002
Contract and Grant Expense	1,714,042	848,494
Supporting Expenses		
Building, Office, and Equipment	403,307	273,222
General and Administrative	402,190	481,098
Insurance	64,554	47,758
Legal and Professional Fees	601,400	346,694
Public Relations	162,852	98,797
Other Expenses	666,676	318,256
Bad Debt Expense	4,436	20,807
Depreciation	144,385	162,901
<b>Total Expenses</b>	<b>8,016,163</b>	<b>6,446,889</b>
<b>Change in Net Assets</b>	<b>653,483</b>	<b>86,954</b>
<b>Unrestricted Net Assets, Beginning of Year</b>	<b>14,143,429</b>	<b>14,056,475</b>
<b>Unrestricted Net Assets, End of Year</b>	<b>\$ 14,796,912</b>	<b>\$ 14,143,429</b>

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

**LOUISIANA HOSPITAL ASSOCIATION AND SUBSIDIARY and  
LOUISIANA HOSPITAL ASSOCIATION RESEARCH AND EDUCATION FOUNDATION**  
Consolidated Statements of Cash Flows  
For the Years Ended December 31, 2016 and 2015

	2016	2015
<b>Cash Flows Operating Activities</b>		
Change in Net Assets	\$ 653,483	\$ 86,954
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	144,385	162,901
Equity in (Income) Loss of Affiliate	(177,189)	40,860
Realized Gain on Sales of Investments	(61,405)	(1,778)
Unrealized (Gain) Loss on Investments	(206,021)	171,058
Bad Debt Expense	4,436	20,807
Deferred Tax Liability	(5,959)	(11,517)
(Increase) Decrease in Operating Assets		
Cash - Restricted	121,948	(331,814)
Accounts Receivable	(9,118)	(199,662)
Accounts Receivable - Contracts and Grants	(386,416)	359,916
Due from Affiliates	9,263	2,311
Prepaid and Other Assets	(56,881)	(95,741)
Increase (Decrease) in Operating Liabilities		
Accounts Payable	(149,713)	161,394
Due to Affiliates	32,044	(283,044)
Treasury Payable	(73,919)	106,733
Deferred Revenue	194,526	243,602
Other Accrued Liabilities	169,642	(136,878)
<b>Net Cash Provided by Operating Activities</b>	<b>203,106</b>	<b>296,102</b>
<b>Cash Flows from Investing Activities</b>		
Proceeds from Sales of Investments	2,779,047	2,583,214
Purchase of Investments	(2,881,993)	(2,707,768)
Proceeds from Distributions of Earnings in ShareCor, LLC	143,304	105,674
Purchases of Property and Equipment	(104,685)	(65,808)
<b>Net Cash Used in Investing Activities</b>	<b>(64,327)</b>	<b>(84,688)</b>
<b>Increase in Cash and Cash Equivalents</b>	<b>138,779</b>	<b>211,414</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>6,446,638</b>	<b>6,235,224</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 6,585,417</b>	<b>\$ 6,446,638</b>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash Paid During the Year for Taxes	\$ 18,021	\$ 7,384

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

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

**Notes to Consolidated Financial Statements**

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**Note 1. Organization**

**Nature of Activities**

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

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

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

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

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

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

**Note 2. Summary of Significant Accounting Policies**

**Basis of Accounting**

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

The Association follows the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. The Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets. At December 31, 2016 and 2015, the Association had no temporarily or permanently restricted net assets.



LOUISIANA HOSPITAL ASSOCIATION AND SUBSIDIARY and  
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Notes to Consolidated Financial Statements

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

**Use of Estimates**

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

**Fair Values of Financial Instruments**

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

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

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

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

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

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

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

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

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

**Notes to Consolidated Financial Statements**

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

**Fair Values of Financial Instruments (Continued)**

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

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

*Alternative Investments:* Investments are valued using the net asset value reported by the portfolio funds, which management believes approximates fair value. These net asset values are the prices used to execute trades with these portfolio funds.

**Cash and Cash Equivalents**

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

**Accounts Receivable**

The Association periodically reviews accounts receivable to determine collectability based on historical information and knowledge of the customer. If amounts are determined to be uncollectible, they are charged to operations when that determination is 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. As of December 31, 2016 and 2015, the Association does not deem an allowance necessary.

**Investment in Affiliate**

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

**Investments**

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

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

**Notes to Consolidated Financial Statements**

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

**Property and Equipment**

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

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

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

**Income Taxes**

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

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

**Reclassifications**

Certain accounts in the prior year consolidated financial statements have been reclassified for comparative purposes to conform with the presentation of the current year consolidated financial statements. Reclassification had no impact on prior year net assets.

**Note 3. Restricted Cash**

Approximately \$355,000 and \$477,000 of cash was restricted as of December 31, 2016 and 2015, respectively, relating to grants and contracts awarded to the Foundation. Corresponding liabilities are included in total within treasury payable on the consolidated statements of financial position.

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

**Notes to Consolidated Financial Statements**

**Note 4. Property and Equipment**

Property and equipment consist of the following as of December 31, 2016 and 2015:

	2016	2015
Land	\$ 309,406	\$ 309,406
Buildings	2,332,445	2,290,050
Furniture and Office Equipment	974,294	914,231
	<u>3,616,145</u>	<u>3,513,687</u>
Less: Allowance for Depreciation and Amortization	2,033,654	1,891,496
<b>Property and Equipment, Net</b>	<u><u>\$ 1,582,491</u></u>	<u><u>\$ 1,622,191</u></u>

Depreciation expense was \$144,385 and \$162,901 for the years ended December 31, 2016 and 2015, respectively.

**Note 5. Investment in Affiliate**

The following is pertinent financial information for ShareCor, LLC as of December 31, 2016 and 2015:

	2016	2015
Balance Sheet		
Assets	<u><u>\$1,348,101</u></u>	<u><u>\$1,302,522</u></u>
Liabilities	\$ 321,692	\$ 343,881
Equity	<u><u>1,026,409</u></u>	<u><u>958,641</u></u>
	<u><u>\$1,348,101</u></u>	<u><u>\$1,302,522</u></u>
Income Statement		
Revenues	\$1,387,434	\$1,514,920
Expenses	<u><u>1,033,056</u></u>	<u><u>1,596,640</u></u>
Net Income (Loss)	354,378	(81,720)
	<u><u>50%</u></u>	<u><u>50%</u></u>
<b>LHA's Share of Net Income (Loss)</b>	<u><u>\$ 177,189</u></u>	<u><u>\$ (40,860)</u></u>

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

**Notes to Consolidated Financial Statements**

**Note 6. Investments**

The cost and fair values of investments at December 31, 2016, are as follows:

<b>2016</b>	<b>Fair Value</b>	<b>Cost</b>
<b>Equities - Banking / Finance</b>	<b>\$ 1,655,422</b>	<b>\$ 1,543,219</b>
<b>Equities - Consumer Products</b>	<b>214,090</b>	<b>228,282</b>
<b>Equities - Healthcare</b>	<b>241,074</b>	<b>226,062</b>
<b>Equities - Energy</b>	<b>197,952</b>	<b>189,640</b>
<b>Equities - Retail</b>	<b>347,441</b>	<b>340,771</b>
<b>Equities - Technology</b>	<b>208,345</b>	<b>166,151</b>
<b>Equities - Other</b>	<b>1,057,450</b>	<b>990,467</b>
<b>Fixed Income - Corporate Bonds</b>	<b>1,577,418</b>	<b>1,310,588</b>
<b>Fixed Income - U.S. Treasuries</b>	<b>326,553</b>	<b>318,314</b>
<b>Fixed Income - U.S. Other</b>	<b>1,029,020</b>	<b>750,753</b>
<b>Mutual Funds - Convertible Equities</b>	<b>35,425</b>	<b>32,817</b>
<b>Mutual Funds - Global Equities</b>	<b>62,151</b>	<b>45,854</b>
<b>Money Market Deposits for Reinvesting Alternative Investments</b>	<b>639,273</b>	<b>639,273</b>
	<b>266,794</b>	<b>270,465</b>
<b>Total</b>	<b>\$ 7,858,408</b>	<b>\$ 7,052,656</b>

The cost and fair values of investments at December 31, 2015, are as follows:

<b>2015</b>	<b>Fair Value</b>	<b>Cost</b>
<b>Equities - Banking / Finance</b>	<b>\$ 1,823,523</b>	<b>\$ 1,931,188</b>
<b>Equities - Consumer Products</b>	<b>296,343</b>	<b>272,020</b>
<b>Equities - Healthcare</b>	<b>392,551</b>	<b>342,608</b>
<b>Equities - Energy</b>	<b>197,455</b>	<b>225,580</b>
<b>Equities - Retail</b>	<b>142,702</b>	<b>135,894</b>
<b>Equities - Technology</b>	<b>307,499</b>	<b>251,264</b>
<b>Equities - Other</b>	<b>620,950</b>	<b>606,276</b>
<b>Fixed Income - Corporate Bonds</b>	<b>1,803,062</b>	<b>1,783,925</b>
<b>Fixed Income - U.S. Treasuries</b>	<b>230,400</b>	<b>217,117</b>
<b>Fixed Income - U.S. Other</b>	<b>868,277</b>	<b>856,043</b>
<b>Mutual Funds - Convertible Equities</b>	<b>30,665</b>	<b>31,206</b>
<b>Mutual Funds - Global Equities</b>	<b>55,635</b>	<b>43,770</b>
<b>Money Market Deposits for Reinvesting Alternative Investments</b>	<b>537,513</b>	<b>537,513</b>
	<b>181,461</b>	<b>165,595</b>
<b>Total</b>	<b>\$ 7,488,036</b>	<b>\$ 7,399,999</b>

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

**Notes to Consolidated Financial Statements**

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**Note 6. Investments (Continued)**

The following table summarizes investment return for the years ended December 31, 2016 and 2015:

	2016	2015
Net Unrealized Gain (Loss) on Investments	\$ 206,021	\$ (171,058)
Realized Gain (Loss) on Sales of Investments	61,405	(134)
Dividend and Interest Income, Net of Fees	93,489	118,816
<b>Investment Income (Loss)</b>	<b>\$ 360,915</b>	<b>\$ (52,376)</b>

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

LHA sponsors a multiple-employer 401(k) retirement plan. LHA contributed up to 8.5% of each employee's compensation to the 401(k) retirement plan for the years ended December 31, 2016 and 2015, respectively. LHA made contributions of \$189,784 and \$202,706, to the 401(k) retirement plan during 2016 and 2015, respectively.

LHA has a paid time off (PTO) policy, which provides PTO benefits to employees based on classification and length of service. During 2016 and 2015, employees were allowed to carry over a maximum of seventy-five percent of the total current annual PTO earnings. Upon termination of employment or retirement, the unused PTO benefits are payable at a maximum amount equal to seventy-five percent of the total current annual PTO earning capacity. LHA has accrued \$124,474 and \$116,319, as of December 31, 2016 and 2015, respectively, in accordance with the provisions of this policy. The amount accrued is included as a component of other accrued liabilities on the consolidated statements of financial position.

The Association provides extended illness benefits to employees based on a predetermined accrued hourly amount per pay period. An extended illness benefit is defined as an absence in excess of five (5) consecutive days for medical reasons. Employees were allowed a maximum accumulation of 120 days of extended illness benefits for the years ended December 31, 2016 and 2015, respectively. These benefits are not payable upon termination or retirement, and therefore are not accrued in accordance with FASB ASC 710.

**Note 8. Related Party Transactions**

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

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

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

Notes to Consolidated Financial Statements

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**Note 8. Related Party Transactions (Continued)**

LHA provides management and administrative support services to both ShareCor, LLC and the Council. Management fee revenue recorded by LHA in 2016 and 2015 from ShareCor totaled \$125,000 and \$135,000, respectively. Accounting fee revenue recorded by LHA in 2016 and 2015 from ShareCor totaled \$44,000 and \$40,326, respectively. Contract revenue recognized in 2016 and 2015 by LHA from ShareCor totaled \$1,200. Management fee revenue recorded by LHA in 2016 and 2015 from the Council totaled \$252,532 and \$280,085, respectively. Accounting fee revenue recorded by LHA in 2016 and 2015 from the Council totaled \$29,000 and \$30,249, respectively. Contract revenue recognized in 2016 and 2015 by LHA from the Council totaled \$600. Management fee revenues, accounting fee revenues and contract revenues are included within management fees on the consolidated statements of activities.

As of December 31, 2016 and 2015, the net amount due to ShareCor was \$33,993 and \$9,076, respectively.

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 the Association. Payments are passed through the Association to the Council for these services.

As of December 31, 2016 and 2015, the net amount due from (to) the Council was \$24 and \$(1,733), respectively. These amounts are included as a component of due to affiliates on the Association's consolidated statements of financial position.

**Note 9. Income Taxes and Deferred Income Taxes**

LHAMC's deferred tax benefits for the years ended December 31, 2016 and 2015 were \$5,959 and \$11,517 which is included in Other Revenue, respectively.

LHAMC'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 timing differences related to how property and equipment are depreciated for tax purposes as compared to US GAAP.

The component of the deferred tax liability is as follows as of:

	2016	2015
Deferred Tax Liability		
Depreciation	<u>\$ 124,253</u>	<u>\$ 130,482</u>
<b>Net Deferred Tax Liability</b>	<u><b>\$ 124,253</b></u>	<u><b>\$ 130,482</b></u>

Management evaluated the Association's tax positions for the year ended December 31, 2016 and concluded that the organization had taken no uncertain tax positions that require adjustment to the consolidated financial statements.

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

**Notes to Consolidated Financial Statements**

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**Note 9. Income Taxes and Deferred Income Taxes (Continued)**

The Association's tax filings are subjected to audit by various taxing authorities. The Association's open audit periods are 2013 through 2015.

**Note 10. Leases**

The Association leases two copiers under operating leases expiring April 2022. The terms of these leases include minimum monthly payments of \$2,926.

Minimum future rental payments under non-cancelable operating leases as of December 31, 2016, are as follows:

<b>December 31</b>	<b>Amount</b>
2017	\$ 35,112
2018	35,112
2019	35,112
2020	35,112
2021	35,112
Thereafter	<u>11,704</u>
<b>Total</b>	<b><u>\$ 187,264</u></b>

The Association's expense for both the lease and maintenance of the above copiers totaled \$63,786 and \$53,793, for the years ended December 31, 2016 and 2015, respectively.

**Note 11. Risk Concentration**

The Association owns 50% of ShareCor, LLC, as discussed in Note 2. A significant source of income for the Association is the equity distributions received from ShareCor, LLC. ShareCor, LLC's significant source of income is from an ongoing participation in a group-repurchasing program. Even though management feels the revenue stream will continue for the foreseeable future, ShareCor, LLC has no control of the participants in the group-repurchasing program.

The Association periodically maintains cash deposits in accounts with a major financial institution in excess of federally insured limits. The Association has not experienced any losses and does not believe that significant credit risk exists as a result of this practice.

**Note 12. Fair Value Measurements**

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



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

**Notes to Consolidated Financial Statements**

**Note 12. Fair Value Measurements (Continued)**

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

The valuation of the Association's assets and liabilities measured at fair value on a recurring basis at December 31, 2016, are as follows:

Assets	Level 1	Level 2	Level 3	Net Balance
Equities - Banking / Finance	\$ 1,655,422	\$ -	\$ -	\$ 1,655,422
Equities - Consumer Products	214,090	-	-	214,090
Equities - Healthcare	241,074	-	-	241,074
Equities - Energy	197,952	-	-	197,952
Equities - Retail	347,441	-	-	347,441
Equities - Technology	208,345	-	-	208,345
Equities - Other	1,057,450	-	-	1,057,450
Fixed Income - Corporate Bonds	1,577,418	-	-	1,577,418
Fixed Income - U.S. Treasuries	326,553	-	-	326,553
Fixed Income - U.S. Other	1,029,020	-	-	1,029,020
Mutual Funds - Convertible Equities	35,425	-	-	35,425
Mutual Funds - Global Equities	62,151	-	-	62,151
Money Market Deposits for Reinvesting	639,273	-	-	639,273
Alternative Investments	112,927	-	-	112,927
Investments Measured at NAV per Share*	-	-	-	153,867
<b>Total</b>	<b>\$ 7,704,541</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 7,858,408</b>

The valuation of the Association's assets and liabilities measured at fair value on a recurring basis at December 31, 2015, are as follows:

Assets	Level 1	Level 2	Level 3	Net Balance
Equities - Banking / Finance	\$ 1,823,523	\$ -	\$ -	\$ 1,823,523
Equities - Consumer Products	296,343	-	-	296,343
Equities - Healthcare	392,551	-	-	392,551
Equities - Energy	197,455	-	-	197,455
Equities - Retail	142,702	-	-	142,702
Equities - Technology	307,499	-	-	307,499
Equities - Other	620,950	-	-	620,950
Fixed Income - Corporate Bonds	1,803,062	-	-	1,803,062
Fixed Income - U.S. Treasuries	230,400	-	-	230,400
Fixed Income - U.S. Other	868,277	-	-	868,277
Mutual Funds - Convertible Equities	30,665	-	-	30,665
Mutual Funds - Global Equities	55,635	-	-	55,635
Money Market Deposits for Reinvesting	537,513	-	-	537,513
Investments Measured at NAV per Share*	-	-	-	181,461
<b>Total</b>	<b>\$ 7,306,575</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 7,488,036</b>

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

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

**Notes to Consolidated Financial Statements**

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**Note 12. Fair Value Measurements (Continued)**

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

In September 2009, FASB issued an amendment *Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)* ASU 2009-12, which provides guidance on how entities should estimate fair value of certain alternative investments. The fair value of investments within the scope of this guidance can now be determined using net asset value (NAV) per share as a practical expedient, when the fair value is not readily determinable, unless it is probable the investment will be sold at something other than NAV. It also requires disclosure of certain attributes by major category of alternative investments, regardless of whether the practical expedient was used.

**Changes in Fair Value Levels**

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

We evaluate the significance of transfers between levels based upon the nature of the investment and size of the transfer relative to total net assets available for benefits. For the years ended December 31, 2016 and 2015, there were no significant transfers in or out of Level 3.

**Note 13. Treasury Payable**

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

**Note 14. Subsequent Events**

Management has evaluated subsequent events through the date that the combined financial statements were available to be issued May 5, 2017, and determined that no other events occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

## **SUPPLEMENTARY INFORMATION**

**LOUISIANA HOSPITAL ASSOCIATION AND SUBSIDIARY and  
LOUISIANA HOSPITAL ASSOCIATION RESEARCH AND EDUCATION FOUNDATION**  
Consolidating Statement of Activities  
For the Year Ended December 31, 2016

	Louisiana Hospital Association Consolidated	Louisiana Hospital Association Research and Education Foundation	Eliminations	Combined
<b>Revenues, Gains, and Other Support</b>				
Institutional Revenue	\$ 4,125,589	\$ -	\$ -	\$ 4,125,589
Non-Institutional Revenue	255,207	-	-	255,207
Educational Activities	960,686	-	-	960,686
Equity in Income of Affiliate	177,189	-	-	177,189
Investment Income	349,487	11,428	-	360,915
Management Fees	489,921	-	(22,000)	467,921
Direct Contract and Grant Revenue	-	2,079,338	-	2,079,338
Indirect Contract and Grant Revenue	-	96,416	-	96,416
Other Revenue	178,385	-	(32,000)	146,385
<b>Total Revenues, Gains, and Other Support</b>	<b>6,536,464</b>	<b>2,187,182</b>	<b>(54,000)</b>	<b>8,669,646</b>
<b>Expenses</b>				
Program Expenses				
Salaries, Wages, and Benefits	3,231,574	-	-	3,231,574
Educational Activities	620,747	-	-	620,747
Contract and Grant Expense	5,000	1,709,042	-	1,714,042
Supporting Expenses				
Building, Office, and Equipment	399,444	35,863	(32,000)	403,307
General and Administrative	228,207	173,983	-	402,190
Insurance	50,161	14,393	-	64,554
Legal and Professional Fees	591,400	10,000	-	601,400
Accounting Fees	-	22,000	(22,000)	-
Public Relations	162,852	-	-	162,852
Other Expenses	666,676	-	-	666,676
Bad Debt Expense	4,436	-	-	4,436
Depreciation	136,217	8,168	-	144,385
<b>Total Expenses</b>	<b>6,096,714</b>	<b>1,973,449</b>	<b>(54,000)</b>	<b>8,016,163</b>
<b>Change in Net Assets</b>	<b>\$ 439,750</b>	<b>\$ 213,733</b>	<b>\$ -</b>	<b>\$ 653,483</b>

See independent auditor's report.

**LOUISIANA HOSPITAL ASSOCIATION AND SUBSIDIARY and  
LOUISIANA HOSPITAL ASSOCIATION RESEARCH AND EDUCATION FOUNDATION  
Consolidating Statement of Activities  
For the Year Ended December 31, 2015**

	Louisiana Hospital Association Consolidated	Louisiana Hospital Association Research and Education Foundation	Eliminations	Combined
<b>Revenues, Gains, and Other Support</b>				
Institutional Revenue	\$ 3,922,571	\$ -	\$ -	\$ 3,922,571
Non-Institutional Revenue	221,879	-	-	221,879
Educational Activities	942,479	-	-	942,479
Equity in Loss of Affiliate	(40,860)	-	-	(40,860)
Investment Loss	(45,909)	(6,467)	-	(52,376)
Management Fees	525,973	-	(22,000)	503,973
Direct Contract and Grant Revenue	-	894,157	-	894,157
Indirect Contract and Grant Revenue	-	83,743	-	83,743
Other Revenue	84,824	5,453	(32,000)	58,277
<b>Total Revenues, Gains, and Other Support</b>	<b>5,610,957</b>	<b>976,886</b>	<b>(54,000)</b>	<b>6,533,843</b>
<b>Expenses</b>				
Program Expenses				
Salaries, Wages, and Benefits	3,283,860	-	-	3,283,860
Educational Activities	565,002	-	-	565,002
Contract and Grant Expense	6,600	841,894	-	848,494
Supporting Expenses				
Building, Office, and Equipment	272,789	32,433	(32,000)	273,222
General and Administrative	245,311	235,787	-	481,098
Insurance	41,035	6,723	-	47,758
Legal and Professional Fees	346,694	-	-	346,694
Accounting Fees	-	22,000	(22,000)	-
Public Relations	98,797	-	-	98,797
Other Expenses	318,256	-	-	318,256
Bad Debt Expense	20,807	-	-	20,807
Depreciation	156,067	6,834	-	162,901
<b>Total Expenses</b>	<b>5,355,218</b>	<b>1,145,671</b>	<b>(54,000)</b>	<b>6,446,889</b>
<b>Change in Net Assets</b>	<b>\$ 255,739</b>	<b>\$ (168,785)</b>	<b>\$ -</b>	<b>\$ 86,954</b>

See independent auditor's report.

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Louisiana Hospital Association and Subsidiary and Louisiana Hospital Association Research and Education Foundation (collectively, the Association) which comprise the consolidated statement of financial position as of December 31, 2016, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 5, 2017.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Association's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of 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 Statute 24:573, this report is distributed by the legislative auditor as public document.

A handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Metairie, LA  
May 5, 2017

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

Independent Auditor's Report

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

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

We have audited Louisiana Hospital Association Research and Education Foundation's (the Foundation's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Foundation's major federal programs for the year ended December 31, 2016. The Foundation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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



### **Opinion on Each Major Federal Program**

In our opinion, Louisiana Hospital Association Research and Education Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

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

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

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

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

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

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

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

We have audited the consolidated financial statements of Louisiana Hospital Association as of and for the year ended December 31, 2016, and have issued our report thereon dated May 5, 2017, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompany schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.



A Professional Accounting Corporation

Metairie, LA  
May 5, 2017

**LOUISIANA HOSPITAL ASSOCIATION RESEARCH AND  
EDUCATION FOUNDATION**

**Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2016**

FEDERAL GRANTOR/ PASS-THROUGH AGENCY/ PROGRAM TITLE (per CFDA)	Federal CFDA Number	Program Name	Total Expenditures
<b>Passed Through State of Louisiana Department of Health and Hospitals:</b>			
State Rural Hospital Flexibility Program	93.241	FLEX Program	\$ 5,000
National Bioterrorism Hospital Preparedness Program	93.889	Hospital Preparedness Program (HHS)	<u>2,069,804</u>
<b>Total Expenditures</b>			<u>\$ 2,074,804</u>

The accompanying notes are an integral part of this schedule.

**LOUISIANA HOSPITAL ASSOCIATION RESEARCH AND  
EDUCATION FOUNDATION**

**Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2016**

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**Note 1. Basis of Presentation**

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of Louisiana Hospital Association Research and Education Foundation (the Foundation) under programs of the Federal government for the year ended December 31, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Foundation, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Foundation.

**Note 2. Summary of Significant Accounting Policies**

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

**Note 3. Sub-Recipients**

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

<u>Program Name</u>	<u>Federal CFDA Number</u>	<u>Amounts Provided to Sub-Recipients</u>
National Bioterrorism Hospital Preparedness Program (HHS)	93.889	\$ 2,069,804

**LOUISIANA HOSPITAL ASSOCIATION RESEARCH AND  
EDUCATION FOUNDATION**

**Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2016**

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

Financial Statements

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

Federal Awards

- |    |   |  |
|----|---|--|
| 1. | Internal control over major programs:   |  |
|    | a. Material weaknesses identified?  | No   |
|    | b. Significant deficiencies identified not considered to<br>to be a material weakness?                | None Reported  |
| 2. | Type of auditor's report issued on compliance for major programs:                                     | Unmodified   |
| 3. | Any audit findings disclosed that are required to be reported in<br>accordance with Uniform Guidance: | No   |
| 4. | Identification of major programs:   |  |
|    | <u>CFDA Number</u><br>93.889  | <u>Name of Federal Program or Cluster</u><br>National Bioterrorism Hospital Preparedness Program |
| 5. | Dollar threshold used to distinguish between type A and type B programs:                              | \$750,000  |
| 6. | Auditee qualified as low-risk auditee?  | Yes  |

See independent auditor's report.

**LOUISIANA HOSPITAL ASSOCIATION RESEARCH AND  
EDUCATION FOUNDATION**

**Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended December 31, 2016**

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**Part II - Financial Statement Findings**

None.

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

None.

**LOUISIANA HOSPITAL ASSOCIATION RESEARCH AND  
EDUCATION FOUNDATION**

**Summary Schedule of Prior Audit Findings  
For the Year Ended December 31, 2016**

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None.



LaPorte, APAC  
111 Veterans Blvd. | Suite 600  
Metairie, LA 70005  
504.835.5522 | Fax 504.835.5535  
LaPorte.com

## Independent Auditor's Report on the Supplementary Information

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

We have audited the consolidated financial statements of Louisiana Hospital Association and Subsidiary and Louisiana Hospital Association Research and Education Foundation as of and for the years ended December 31, 2016 and 2015, and our report thereon dated May 5, 2017, 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 May 5, 2017.

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.

A Professional Accounting Corporation

Metairie, LA  
May 5, 2017

### LOUISIANA • TEXAS

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**LOUISIANA HOSPITAL ASSOCIATION AND SUBSIDIARY and  
 LOUISIANA HOSPITAL ASSOCIATION RESEARCH AND EDUCATION FOUNDATION  
 Schedule of Compensation, Benefits, and Other Payments to  
 Agency Head  
 For the Year Ended December 31, 2016**

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

<b>Purpose</b>	<b>Amount</b>
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.