

Independent Accountant's Report

To Management
Thomson Reuters (Tax and Accounting) Inc.

We have examined:

- The content related to the relevant standards and interpretive guidance in Thomson Reuters' quality control materials titled *PPC's Practice Aids for Audits of Health Care Entities*, June 2024, 12th Edition, accessible through EngagementManager.ThomsonReuters.com (formerly AdvanceFlow.com) and available for download on Checkpoint.RIAG.com (the "QCM Content")
- The accompanying description prepared by Thomson Reuters titled "Description, as of June 30, 2024, of Thomson Reuters' *PPC's Practice Aids for Audits of Health Care Entities*, June 2024, 12th Edition" (the "Description")

Management of Thomson Reuters (Tax and Accounting) Inc. is responsible for the QCM Content being in accordance with the QCM Content Criteria included in Attachment A and for the Description being in accordance with the QCM Description Criteria included in Attachment A (collectively, the "QCM Criteria"). Our responsibility is to express an opinion on the QCM Content and the Description based on our examination.

Our examination was conducted in accordance with attestation standards established by the AICPA. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the QCM Content and the Description are in accordance with the QCM Criteria in all material respects. An examination involves performing procedures to obtain evidence about the QCM Content and the Description. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the QCM Content and the Description, whether due to fraud or error. In making an assessment of the risks of material misstatement, we considered and obtained an understanding of internal control relevant to the subject matter in order to design procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, no such opinion is expressed. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

In our opinion, in all material respects:

- The QCM Content is in accordance with the QCM Content Criteria specified in Attachment A.
- The Description is in accordance with the QCM Description Criteria specified in Attachment A.

This report is intended solely for the information and use of management of Thomson Reuters (Tax and Accounting) Inc., users and potential users of the QCM Content, and users' peer reviewers and regulators.

This report is not intended to be, and should not be, used by anyone other than these specified parties.



February 18, 2025

Attachment A: QCM Content Criteria and QCM Description Criteria

QCM Content Criteria

The quality control materials (QCM) are in accordance with the following criteria:

CC1: The quality control materials content accurately reflects the standards and interpretive guidance addressed by the QCM and addresses the standards and interpretive guidance in the manner described in the description, including the following:

- a. QCM content reproduced in whole or in part from standards and interpretive guidance does the following:
 - i. Appropriately references the relevant standards and interpretive guidance to enable user firms to locate the content
 - ii. Agrees with the relevant standards and interpretive guidance
- b. QCM content derived from the standards and interpretive guidance explains, elaborates, interprets, or paraphrases the relevant standards and interpretive guidance in a manner that does not change the meaning and intent of the standards and interpretive guidance.
- c. QCM content that illustrates the application of the relevant standards and interpretive guidance is not in conflict with the standards and interpretive guidance.

CC2: QCM content

- a. Identifies assumptions or judgments made in developing QCM content related to the relevant standards and interpretive guidance, if any
- b. Identifies QCM content that is based on widely recognized or generally accepted practice rather than on the relevant standards and interpretive guidance
- c. Identifies QCM content that represents the QCM provider's opinion or interpretation of the relevant standards and interpretive guidance
- d. Uses the same terminology and definitions used in the relevant standards and interpretive guidance

CC3: QCM content does not omit relevant principles, topics, requirements, considerations, procedures, or other aspects of the relevant standards and interpretive guidance.

CC4: If the description indicates that a purpose of the QCM content is to provide a means to document compliance with the standards and interpretive guidance that the QCM address, the QCM content enables user firms to do so.

QCM Description Criteria

The description of the content of quality control materials (the "Description") contains the following information:

DC1: An identification of the quality control materials addressed by the Description, including the following:

- a. The title of the QCM, including the version name, number, or date
- b. An indication of all formats in which the QCM are provided and, if the QCM are in the format of application software, all delivery methods

**Attachment A: QCM Content Criteria and QCM Description Criteria
(Continued)**

DC2: An identification of any elements of the QCM content that are provided by another QCM provider

DC3: An identification of any elements (parts) of the QCM content that are not addressed by the Description. If applicable, identify how the elements relate to the entire QCM.

DC4: The date of the Description

DC5: A statement that “[*Identification of the QCM addressed by the description*] are quality control materials (QCM). The AICPA defines QCM as materials (for example, manuals or tools), including industry- or subject matter-specific materials, intended to enable the operation of a firm’s system of quality control and promote consistency in performing quality engagements. QCM may be made available through technology, for example, through automated tools and techniques, and IT applications. QCM address standards and interpretive guidance related to accounting; audit, attestation, review, compilation, or preparation engagements or other services that CPA firms may provide; or ethics, independence, quality control, quality management, peer review, or practice monitoring related to those services.”

DC6: An identification of the characteristics of the QCM, including the following:

- a. The type of QCM (what the QCM are) and purpose of the type of QCM
- b. The topics addressed by the QCM
- c. If the QCM are intended to be used for a specific type of engagement or specific aspects of an engagement, an identification of the characteristics of that engagement, including the following:
 - i. The relevant characteristics of the type of client for which the QCM are intended to be used, including the following:
 - Area of practice
 - Industry
 - Form or type of organization
 - Operational characteristics
 - ii. The characteristics of the type of engagement for which the QCM are intended to be used, including the following:
 - Area of service
 - Level of service
 - Unique characteristics of the engagement

DC7: An identification of any other QCM intended to be used in conjunction with the QCM content

DC8: An identification of the standards and interpretive guidance relevant to the QCM that the QCM address, including the following:

- a. The standard-setting body that issued the standards and interpretive guidance
- b. Either:
 - i. The date through which the QCM address issued and effective standards and interpretive guidance (date approach)
 - ii. The number and title of the most recently issued and effective standards and interpretive guidance addressed by the QCM (title approach)

**Attachment A: QCM Content Criteria and QCM Description Criteria
(Continued)**

DC9: An identification of standards and interpretive guidance relevant to the QCM that were issued and effective up to the date (if using the date approach referred to in DC8bi) or the number and title (if using the title approach referred to in DC8bii) but:

- a. Not addressed by the QCM
- b. Not fully addressed by the QCM, including why the relevant standards and guidance were not fully addressed, and how they were addressed by the QCM

DC10: A description of how the QCM address standards and interpretive guidance relevant to the QCM that were issued but not effective up to the date (if using the date approach referred to in DC8bi) or the number and title (if using the title approach referred to in DC8bii), including the following:

- a. The title and effective date of the standards and interpretive guidance
- b. Whether the standards and interpretive guidance are addressed by the QCM and, if so, how they are addressed
- c. Whether the standards and interpretive guidance allow for early implementation or adoption

DC11: A description of the QCM provider's policy for updating the QCM content, including the nature and anticipated timing of updates

DC12: A statement that user firms are responsible for the following:

- a. Determining whether the QCM are suitable for the user firm's purposes
- b. Understanding that the QCM are not intended to be a substitute for the standards and interpretive guidance, an evaluation thereof, or professional judgment
- c. Using the most up-to-date QCM available that are applicable in the circumstances, including accessing and using the most recent and effective relevant standards and interpretive guidance that are not addressed or not fully addressed by the QCM
- d. Properly implementing the QCM and using professional judgment in the application of the QCM based on the facts and circumstances (for example, of each engagement)
- e. Providing the appropriate training for the use of the QCM and performing the appropriate supervision and review procedures regarding the use of the QCM based on the skill, training, knowledge, and experience of individual users within the user firm
- f. Identifying that there may be certain facts, circumstances, risk factors, or specific issues that exist for a particular client, engagement, or user firm that may not be addressed by the QCM; in that case, understanding that the QCM will require tailoring and augmentation to address such facts, circumstances, risk factors, or specific issues
- g. Monitoring the activities of standard-setting bodies for changes that would affect the user firm, including amendments of standards and interpretive guidance and deferrals of effective dates
- h. Complying with relevant professional standards and interpretive guidance
- i. Understanding that the effectiveness of the QCM is dependent on the user firm fulfilling the preceding responsibilities and the effectiveness of its actions

Description, as of June 30, 2024, of Thomson Reuters' *PPC's Practice Aids for Audits of Health Care Entities*, June 2024, 12th Edition

PPC's Practice Aids for Audits of Health Care Entities, June 2024, 12th Edition (the "Practice Aids"), are accessible through EngagementManager.ThomsonReuters.com (formerly AdvanceFlow.com) and available for download on Checkpoint.RIAG.com. The Practice Aids consist of introductory text and multiple practice aids, including illustrative auditor's reports, audit programs, checklists, and confirmation and correspondence letters. The Practice Aids are editable Microsoft Word and Excel documents.

Thomson Reuters Guided Assurance (formerly Checkpoint Engage) and PPC's SMART Practice Aids are Workflow Tools that are not included in this description. They are designed to enhance productivity, efficiency, and quality when used in combination with the Practice Aids.

- Thomson Reuters Guided Assurance is a fully integrated online audit solution that provides enhanced technological functionality of the content and engagement methodology in the Practice Aids.
- PPC's SMART Practice Aids is a desktop application that provides similar functionality.

Definition of QCM

PPC's Practice Aids for Audits of Health Care Entities are quality control materials (QCM). The AICPA defines QCM as materials (for example, manuals or tools), including industry- or subject matter-specific materials, intended to enable the operation of a firm's system of quality control and promote consistency in performing quality engagements. QCM may be made available through technology, for example, through automated tools and techniques, and IT applications.

QCM address standards and interpretive guidance related to accounting; audit, attestation, review, compilation, or preparation engagements or other services that CPA firms may provide; or ethics, independence, quality control, quality management, peer review, or practice monitoring related to those services.

Other QCM Providers

The elements of the QCM provided and within this description are delivered by Thomson Reuters (Tax and Accounting) Inc. (Thomson Reuters) and no other QCM provider.

Characteristics of the QCM

PPC's Practice Aids for Audits of Health Care Entities include two full sets of practice aids as follows:

- *PPC's Practice Aids for Audits of Health Care Entities (Nonprofit and Investor-owned Entities)* provide practice aids to perform an audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS) of the financial statements of nonprofit business-oriented and nonpublic investor-owned health care entities and practice aids to perform an audit under the additional standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (commonly referred to as a Yellow Book audit). The Practice Aids are intended to be used in conjunction with the guidance in *PPC's Guide to Audits of Nonprofit Organizations* (NPO), for nonprofit business-oriented entities, or *PPC's Guide to Audits of Nonpublic Companies* (ASB), for nonpublic investor-owned entities.
- *PPC's Practice Aids for Audits of Health Care Entities (Special-purpose Governmental Entities)* provide practice aids to perform an audit in accordance with auditing standards generally accepted in the United States of America of governmental health care entities that report as special-purpose governments engaged primarily in business-type activities or engaged only in business-type activities and fiduciary activities (that is, whose financial statements are prepared using enterprise fund accounting and reporting) and practice aids to perform a Yellow Book audit. The Practice Aids are intended to be used in conjunction with the guidance in *PPC's Guide to Audits of Local Governments* (ALG) for special-purpose governments.

The Practice Aids do not include or address the following:

- Practice aids for auditing nonprofit nonbusiness-oriented entities (voluntary health and welfare entities). Auditors should use NPO when auditing those types of entities.
- The unique characteristics and the necessary responses and procedures that would apply to nonprofit business-oriented health care entities that have issued, or are conduit bond obligors for, securities that are traded, listed, or quoted on an exchange or an over-the-counter market.
- Practice aids for auditing other governmental entities that use governmental fund accounting and financial reporting. Auditors should use ALG when auditing those types of entities.
- Additional practice aids needed for the compliance portion of a single audit (the additional procedures required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*). Consequently, for single audit engagements, the Practice Aids are intended to be used in conjunction with *PPC's Guide to Single Audits*, which covers single audits for both nonprofit and governmental entities; NPO, which covers only single audits of nonprofit entities; or ALG, which covers only single audits of governmental entities.

The Practice Aids provide a means to document compliance with relevant standards and interpretive guidance and include illustrative auditor's reports; engagement, management representation, confirmation, and other illustrative letters; checklists; and audit programs. The Practice Aids are designed to complement, rather than replace, NPO, ASB, and ALG. As such, the discussions in the chapters of those guides have not been repeated in the Practice Aids. Accordingly, references to those guides are included throughout the Practice Aids to direct auditors to that extensive guidance.

The Practice Aids address engagement-level quality control requirements but do not address firm-level quality control system requirements. Consequently, the Practice Aids are intended to be used in conjunction with *PPC's Guide to Quality Control*.

Relevant Standards and Interpretive Guidance Addressed by the Practice Aids

Auditing Standards and Interpretive Guidance

The Practice Aids address relevant auditing standards and interpretive guidance issued and effective by the Auditing Standards Board (ASB) of the AICPA through June 2024.

Although the following may not be fully effective at the time of publication, the user applying the guidance in the Practice Aids must evaluate each standard's applicability and effective date based on the period covered in each specific engagement. The following auditing standard was issued through June 2024 and is fully incorporated into the Practice Aids, with the extant guidance replaced:

- SAS No. 147, *Inquiries of the Predecessor Auditor Regarding Fraud and Noncompliance with Laws and Regulations*, is effective for audits of financial statements for periods beginning on or after June 30, 2023, and does not prohibit early implementation.

The following auditing standards were issued through June 2024, were not fully effective at the time of publication, and are not fully incorporated into the Practice Aids:

- SAS No. 146, *Quality Management for an Engagement Conducted in Accordance With Generally Accepted Auditing Standards*, is effective for engagements conducted in accordance with U.S. GAAS for periods beginning on or after December 15, 2025. The Practice Aids include practical considerations providing an overview of SAS No. 146; however, the requirements of this standard have not been incorporated into this edition of the Practice Aids. It is expected to be fully incorporated into a future edition of the Practice Aids. SAS No. 146 does not prohibit early implementation.
- SAS No. 149, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors and Audits of Referred-to Auditors)*, is effective for audits of group financial statements for periods ending on or after December 15, 2026. The Practice Aids include practical considerations providing an overview of SAS No. 149; however, the requirements of this standard have not been incorporated into this edition of the Practice Aids. It is expected to be fully incorporated into a future edition of the Practice Aids. SAS No. 149 does not prohibit early implementation.

The Practice Aids address *Government Auditing Standards, 2018 Revision, April 2021 Technical Update*, related to Yellow Book audits. The following auditing standard related to Yellow Book audits was issued through June 2024, was not fully effective at the time of publication, and is not fully incorporated into the Practice Aids:

- *Government Auditing Standards: 2024 Revision* (2024 Yellow Book) is effective for financial audits, attestation engagements, and reviews of financial statements for periods beginning on or after December 15, 2025, and for performance audits beginning on or after December 15, 2025. A system of quality management that complies with *Government Auditing Standards* is required to be designed and implemented by December 15, 2025. An audit organization should complete its evaluation of the system of quality management by December 15, 2026. The Practice Aids mention the issuance of the 2024 Yellow Book; however, the requirements of the 2024 Yellow Book have not been incorporated into this edition of the Practice Aids. It is expected to be fully incorporated into a future edition of the Practice Aids. Early implementation of the 2024 Yellow Book is permitted.

The Practice Aids also address the following AICPA Audit or Audit and Accounting Guides:

- *Health Care Entities*, as of September 1, 2021
- *Not-for-Profit Entities*, as of March 1, 2023
- *State and Local Governments*, as of March 15, 2023
- *Government Auditing Standards and Single Audits*, as of April 1, 2023

Other AICPA Professional Standards

The Practice Aids incorporate professional standards from the AICPA, beyond the auditing standards, that are relevant to these Practice Aids. These include standards relating to ethics from the AICPA *Code of Professional Conduct* in the context of their application to the Practice Aids.

Accounting Standards

The primary focus of the Practice Aids is on engagement standards rather than accounting standards; however, they do provide limited relevant industry accounting guidance. In addition, accounting standards with disclosure requirements are included in the Disclosure Checklists (PHC-CX-13.1, PHC-CX-13.2, PHC-CX-13.3, and PHG-CX-13).

The Practice Aids address relevant accounting standards issued and effective through June 2024 as follows:

- *PPC's Practice Aids for Audits of Health Care Entities (Nonprofit and Investor-owned Entities)* address relevant accounting standards issued and effective by the Financial Accounting Standards Board (FASB) through June 2024 and up to FASB Accounting Standards Update (ASU) No. 2024-02, *Codification Improvements—Amendments to Remove References to the Concepts Statements*.

Although the following may not be fully effective at the time of publication, the user applying the guidance in the Practice Aids must evaluate each standard's applicability and effective date based on the period covered in each specific engagement. The following relevant accounting standards were issued through June 2024, and dual guidance is provided:

- ASU No. 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*, is effective for fiscal years beginning after December 15, 2023, including interim periods within those years. Early adoption is permitted.
- ASU No. 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*, is effective for fiscal years beginning after December 15, 2023, including interim periods within those years. Early adoption is permitted.
- ASU No. 2022-01, *Derivatives and Hedging (Topic 815): Fair Value Hedging - Portfolio Layer Method*, is effective for fiscal years beginning after December 15, 2023, including interim periods within those years. Early adoption is permitted.
- ASU No. 2022-03, *Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*, is effective for fiscal years beginning after December 15, 2024, including interim periods within those years. Early adoption is permitted for financial statements that have not been made available for issuance.
- ASU No. 2022-04, *Liabilities - Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations*, is effective for fiscal years beginning after December 15, 2022, including interim periods within those years, except for the amendment on rollforward information, which is effective for fiscal years beginning after December 15, 2023. Early adoption is permitted.
- ASU No. 2023-01, *Leases (Topic 842): Common Control Arrangements*, is effective for fiscal years beginning after December 15, 2023, including interim periods within those years. Early adoption is permitted for financial statements that have not been made available for issuance.
- ASU No. 2023-02, *Investments—Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method*, is effective for fiscal years beginning after December 15, 2024, including interim periods within those years. Early adoption is permitted.
- ASU No. 2023-05, *Business Combinations—Joint Venture Formations (Subtopic 805-60): Recognition and Initial Measurement*, is effective prospectively for joint ventures with a formation date on or after January 1, 2025. Early adoption is permitted for financial statements that have not been made available for issuance.
- ASU No. 2023-06, *Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative*, is effective prospectively two years after the effective date of the removal of the related guidance in Regulation S-X or Regulation S-K by the SEC. As of June 30, 2024, the SEC had not removed the related guidance; thus, the effective date had not yet been defined. (If the SEC does not remove the guidance by June 30, 2027, the amendments in the ASU will not become effective.) Early adoption is permitted for entities other than those that are subject to the SEC's existing disclosure requirements.
- ASU No. 2023-08, *Intangibles—Goodwill and Other-Crypto Assets (Subtopic 350-60): Accounting for and Disclosure of Crypto Assets*, is effective for fiscal years beginning after December 15, 2024, including interim periods within those years. Early adoption is permitted for financial statements that have not been made available for issuance.

- ASU No. 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, is effective for fiscal years beginning after December 15, 2025. Early adoption is permitted for financial statements that have not been made available for issuance.
- ASU No. 2024-01, *Compensation—Stock Compensation (Topic 718): Scope Application of Profits Interest and Similar Awards*, is effective for fiscal years beginning after December 15, 2025, including interim periods within those years. Early adoption is permitted for financial statements that have not been made available for issuance.
- ASU No. 2024-02, *Codification Improvements—Amendments to Remove References to the Concepts Statements*, is effective for fiscal years beginning after December 15, 2025, including interim periods within those years. Early adoption is permitted for financial statements that have not been made available for issuance.
- *PPC's Practice Aids for Audits of Health Care Entities (Special-purpose Governmental Entities)* address relevant accounting standards issued and effective by the Governmental Accounting Standards Board (GASB) through June 2024 and up to GASB Statement No. 103, *Financial Reporting Model Improvements*, and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

Although the following may not be fully effective at the time of publication, the user applying the guidance in the Practice Aids must evaluate each standard's applicability and effective date based on the period covered in each specific engagement. The following relevant accounting standards were issued through June 2024, and dual guidance is provided, except as noted:

- GASB Statement No. 99, *Omnibus 2022*, has various effective dates by topic from upon issuance until fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Early implementation is encouraged.
- GASB Statement No. 100, *Accounting Changes and Error Corrections (an amendment of GASB Statement No. 62)*, is effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Early implementation is encouraged.
- GASB Statement No. 101, *Compensated Absences*, is effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Early implementation is encouraged.
- GASB Statement No. 102, *Certain Risk Disclosures*, is effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Early implementation is encouraged.
- GASB Statement No. 103, *Financial Reporting Model Improvements*, is effective for fiscal years beginning after June 30, 2025, and all reporting periods thereafter. Earlier application is encouraged. Due to the delayed effective date of this standard, the requirements of this standard have not been fully incorporated into the Practice Aids and the applicable Disclosure Checklist has not been updated with the corresponding disclosure requirements. It is expected to be fully incorporated into a future edition of the Practice Aids.

Policy for Updating the QCM Content

Thomson Reuters updates *PPC's Practice Aids for Audits of Health Care Entities* annually and generally releases a new edition each fall to reflect changes in standards and interpretive guidance, content enhancements, and the corrections of minor errors not previously updated. The Practice Aids referenced herein were completed in June 2024, and no changes have been made to this specific edition of the Practice Aids since then.

User Firm Responsibilities

User firms are responsible for the following:

- a. Determining whether the QCM are suitable for the user firm's purposes
- b. Understanding that the QCM are not intended to be a substitute for the standards and interpretive guidance, an evaluation thereof, or professional judgment
- c. Using the most up-to-date QCM available that are applicable in the circumstances, including accessing and using the most recent and effective relevant standards and interpretive guidance that are not addressed or not fully addressed by the QCM
- d. Properly implementing the QCM and using professional judgment in the application of the QCM based on the facts and circumstances (for example, of each engagement)
- e. Providing the appropriate training for the use of the QCM and performing the appropriate supervision and review procedures regarding the use of the QCM based on the skill, training, knowledge, and experience of individual users within the user firm
- f. Identifying that there may be certain facts, circumstances, risk factors, or specific issues that exist for a particular client, engagement, or user firm that may not be addressed by the QCM; in that case, understanding that the QCM will require tailoring and augmentation to address such facts, circumstances, risk factors, or specific issues
- g. Monitoring the activities of standard-setting bodies for changes that would affect the user firm, including amendments of standards and interpretive guidance and deferrals of effective dates
- h. Complying with relevant professional standards and interpretive guidance
- i. Understanding that the effectiveness of the QCM is dependent on the user firm fulfilling the preceding responsibilities and the effectiveness of its actions