LOUISIANA CHILDREN'S MEDICAL CENTER

Independent Auditor's Report
Consolidated Financial Statements
and
Supplementary Information

Years Ended December 31, 2022 and 2021

LAPORTE
CPAs & BUSINESS ADVISORS

Contents

LaPorte
CPAs & BUSINESS ADVISORS

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

Independent Auditor's Report

To the Governing Board of Trustees
Louisiana Children's Medical Center

Opinion

We have audited the accompanying consolidated financial statements of Louisiana Children's Medical Center (the System) which comprise the consolidated balance sheets as of December 31, 2022 and 2021, the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the System as of December 31, 2022 and 2021, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibility
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Supplementary Information
Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating balance sheets; statements of operations; statements of changes in net assets; schedule of compensation, benefits, and other payments to agency head, as required by Louisiana Revised Statute (R.S.) 24:513 A(3) are presented for the purposes of additional analysis and are not a required part of the basic 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 18, 2023, on our consideration of the System'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

LaPorte

A Professional Accounting Corporation

Metairie, LA
May 18, 2023

LOUISIANA CHILDREN'S MEDICAL CENTER
Consolidated Balance Sheets
December 31, 2022 and 2021 (in Thousands)

	2022	2021
Assets		
Current Assets		
Cash and Cash Equivalents	$ 80,093	$ 175,980
Assets Limited as to Use	176,877	973
Patient Accounts Receivable	249,509	220,721
Other Receivables	170,498	213,698
Inventories	49,011	47,908
Prepaid Expenses and Other	72,109	60,131
Total Current Assets	798,097	719,411
Assets Limited as to Use		
Investments Designated for Capital Projects and Specific Programs	1,084,692	1,415,219
Restricted by Bond Indenture, Debt Service Reserve	44,030	3,294
Donor-Restricted Long-Term Investments	14,932	15,794
Restricted Other	176,530	180
Less: Amount Required for Current Obligations	(176,877)	(973)
Assets Limited as to Use, Net	1,143,307	1,433,514
Investments in Joint Ventures	45,890	45,536
Long-Term Portion of Prepaid Leases	358,918	373,412
Property, Plant, and Equipment, Net	1,132,485	1,025,122
Finance Lease Assets	14,376	14,647
Other Assets	77,932	116,454
Total Assets	$ 3,571,005	$ 3,728,096

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

LOUISIANA CHILDREN'S MEDICAL CENTER
Consolidated Balance Sheets (Continued)
December 31, 2022 and 2021 (in Thousands)

	2022	2021
Liabilities and Net Assets		
Current Liabilities		
Trade Accounts Payable	**$ 242,401**	$ 225,726
Accrued Salaries and Benefits	**82,700**	89,627
Medicare Advance Payments	**6,180**	99,407
Estimated Third-Party Payor Settlements	**60,114**	76,091
Deferred Revenue	**14,113**	14,083
Line of Credit	**100,000**	50,000
Other Current Liabilities	**55,622**	56,609
Total Current Liabilities	**561,130**	611,543
Bonds Payable, Net of Current Portion	**1,007,593**	812,099
Notes Payable	**28,000**	28,000
Finance Lease Liabilities	**11,580**	13,340
Deferred Revenue, Net of Current Portion	**169,351**	167,919
Other Long-Term Liabilities	**95,168**	105,959
Total Liabilities	**1,872,822**	1,738,860
Noncontrolling Interest	**1,417**	1,157
Net Assets		
Without Donor Restrictions	**1,682,781**	1,973,401
With Donor Restrictions		
Purpose Restrictions	**8,032**	8,730
Perpetual in Nature	**5,953**	5,948
Total Net Assets	**1,696,766**	1,988,079
Total Liabilities and Net Assets	**$ 3,571,005**	$ 3,728,096

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

LOUISIANA CHILDREN'S MEDICAL CENTER
Consolidated Statements of Operations
For the Years Ended December 31, 2022 and 2021 (in Thousands)

	2022	2021
Revenues, Gains, and Other Support Without Donor Restrictions		
Net Patient Service Revenues	**$ 2,261,982**	$ 2,047,713
Other Operating Revenues	**184,536**	239,866
Contributions of Nonfinancial Assets	**33,159**	-
Net Assets Released from Restrictions	**708**	549
Total Operating Revenues	**2,480,385**	2,288,128
Operating Expenses		
Employee Compensation and Benefits	**1,078,955**	983,728
Purchased Services	**267,355**	278,400
Professional Fees	**345,704**	322,471
Supplies and Other Expenses	**679,520**	613,122
Depreciation and Amortization	**130,260**	114,119
Interest Expense	**37,494**	16,770
Total Operating Expenses	**2,539,288**	2,328,610
Loss from Operations	**(58,903)**	(40,482)
Investment (Loss) Income	**(189,058)**	111,003
Other Nonoperating Expense	**(315)**	(3,587)
Community Support, Net	**(43,533)**	(25,276)
(Deficit) Excess of Revenues over Expenses	**$ (291,809)**	$ 41,658

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

LOUISIANA CHILDREN'S MEDICAL CENTER
Consolidated Statements of Changes in Net Assets
For the Years Ended December 31, 2022 and 2021 (in Thousands)

	2022	2021
Changes in Net Assets Without Donor Restrictions		
(Deficit) Excess of Revenues over Expenses	**$ (291,809)**	$ 41,658
Deficit (Excess) of Revenues over Expenses Attributable to Noncontrolling Interests	**259**	(617)
Adjustment to Additional Minimum Pension Liability	**970**	1,817
Ownership Revisions	**(37)**	-
(Decrease) Increase in Net Assets Without Donor Restrictions	**(290,617)**	42,858
Changes in Net Assets With Donor Restrictions		
Contributions and Grants	**4,373**	3,979
Investment (Loss) Income	**(1,686)**	971
Net Assets Released from Restrictions	**(3,383)**	(3,644)
(Decrease) Increase in Net Assets With Donor Restrictions	**(696)**	1,306
(Decrease) Increase in Net Assets	**(291,313)**	44,164
Net Assets, Beginning of Year	**1,988,079**	1,943,915
Net Assets, End of Year	**$ 1,696,766**	$ 1,988,079

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

LOUISIANA CHILDREN'S MEDICAL CENTER
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021 (in Thousands)

	2022	2021
Cash Flows from Operating Activities		
(Decrease) Increase in Net Assets	**$ (291,313)**	$ 44,164
Adjustments to Reconcile (Decrease) Increase in Net Assets		
to Net Cash (Used in) Provided by Operating Activities		
Adjustment to Pension Liability	**(970)**	(1,817)
Noncontrolling Interest in Income of Consolidated		
Subsidiaries	**(259)**	617
Depreciation and Amortization	**130,260**	114,119
Depreciation Related to Community Support	**710**	848
Amortization of Debt Issuance Costs	**(538)**	(191)
Equity in Earnings of Investments in Joint Ventures	**(5,063)**	(4,848)
Net Realized and Unrealized Investment Income	**189,058**	(111,928)
Payments on Finance Lease Liabilities	**2,733**	1,433
(Increase) Decrease in:		
Patient Accounts Receivable	**(28,788)**	(1,125)
Other Receivables	**44,275**	(51,133)
Inventories	**(1,103)**	(1,962)
Prepaid Expenses and Other Assets	**26,208**	(38,837)
Increase (Decrease) in:		
Trade Accounts Payable	**(1,128)**	25,982
Accrued Salaries and Benefits	**(6,927)**	3,495
Third-Party Payor Settlements	**(15,977)**	(64,942)
Deferred Revenue	**(26,502)**	113,552
Other Liabilities	**(104,165)**	(17,402)
Net Cash (Used in) Provided by Operating Activities	**(89,489)**	10,025
Cash Flows from Investing Activities		
Distributions of Earnings of Investments in Joint Ventures	**4,709**	5,073
Capital Expenditures	**(178,072)**	(195,690)
Purchases of Investments	**(294,525)**	(504,766)
Proceeds from Sales of Investments	**436,856**	504,466
Net Cash Used in Investing Activities	**(31,032)**	(190,917)

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

LOUISIANA CHILDREN'S MEDICAL CENTER
Consolidated Statements of Cash Flows (Continued)
For the Years Ended December 31, 2022 and 2021 (in Thousands)

	2022	2021
Cash Flows from Financing Activities		
Proceeds from Issuance of Bonds	**200,000**	254,405
Proceeds from Note Payable	**-**	6,701
Proceeds from Line of Credit, Net	**50,000**	50,000
Repayments of Bonds Payable	**(4,860)**	(6,915)
Repayments of Notes Payable	**-**	(253,000)
Payments on Finance Lease Liabilities	**(2,733)**	(1,433)
Return of Capital from Investment in Subsidiary	**-**	1,107
Payments of Debt Issuance Costs	**(738)**	(1,412)
Distributions Paid to Noncontrolling Interest	**519**	(50)
Net Cash Provided by Financing Activities	**242,188**	49,403
Net Increase (Decrease) in Cash, Cash Equivalents, and Cash Limited as to Use	**121,667**	(131,489)
Cash, Cash Equivalents, and Cash Limited as to Use, Beginning of Year	**175,980**	307,469
Cash, Cash Equivalents, and Cash Limited as to Use, End of Year	**$ 297,647**	$ 175,980
Supplemental Disclosures of Cash Flow Information		
Cash Paid for Interest	**$ 37,323**	$ 36,320
Non-Cash Disclosures:		
Property, Plant, and Equipment Purchases in Accounts Payable	**$ 17,803**	$ 12,451
Property, Plant and Equiment Acquisitions through Deferred Revenue	**$ 27,964**	**$** -

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

Note 1. Organization

Louisiana Children's Medical Center (LCMC Health) is a Louisiana non-stock, not-for-profit corporation that was incorporated in 2009, with its founding member being Children's Hospital (Children's). Through a Health Care System Agreement between LCMC Health, Children's and its subsidiaries, Touro Infirmary and its subsidiaries (Touro), and Cooperative Endeavor Agreements (CEAs) with University Medical Center Management Corporation (UMCMC) and West Jefferson Holdings, LLC and its subsidiary (West Jefferson) and the John J. Hainkel, Jr. Home and Rehabilitation Center, these parties have determined that together they can provide a continuum of care to the families of the Gulf South region. To further this mission, LCMC Health offers care through its formation of LCMC Health Holdings, Inc. which is doing business as East Jefferson General Hospital (EJGH), LCMC Health Anesthesia Corporation (LHAC), LCMC Health Clinical Services, LLC (LHCS), New Orleans Clinical Services (NOCS), LCMC Healthcare Partners (LHPL), and LCMC Health Clinical Support (LHCSP). All are hereinafter collectively referred to as the System. LCMC Health functions as the System parent with reserve powers to be exercised to promote the best interests of the System and its affiliates. All corporate powers of the System are vested in the Board of Trustees (the Board) of LCMC Health.

Children's is Louisiana's only full-service hospital operated exclusively for children. Children's, together with its affiliate, the Children's Hospital Medical Practice Corporation (CHMPC), are tax-exempt under Section 501(c)(3) of the Internal Revenue Code (IRC). Located in New Orleans, Louisiana, Children's includes a 224-bed medical center providing care for infants, children, and adolescents from birth to 21 years of age. It provides inpatient services in all pediatric, medical, surgical, and psychiatric subspecialties with a staff of more than 440 physicians. Outpatient services are provided in 58 subspecialties.

Children's provides a large array of community benefit and wellness programs including research activities, and special programs for the handicapped and medically underserved. CHMPC was incorporated to manage pediatric physician practices in a high-quality, cost-effective manner. Kids First, a division of CHMPC, provides pediatric care in medically underserved geographical areas.

Touro Infirmary, and its 299 staffed beds, is New Orleans' only community-based, not-for-profit, faith-based hospital. It is exempt from taxation under IRC. Touro Infirmary is the sole member of Woldenberg Village, Inc. (Woldenberg), and Touro Infirmary Foundation, both of which are non-stock, not-for-profit, and tax-exempt corporations. Touro Infirmary is the sole stockholder of Crescent City Physicians, Inc. (CCPI), a for-profit corporation; and holds a majority interest, together with Woldenberg, in TIJV, LLC, a for-profit limited liability company.

Note 1. Organization (Continued)

University Medical Center Management Corporation operates as a corporation affiliated with Louisiana State University (LSU) as defined in Louisiana Revised Statute (R.S.) 17:3390, with a principal purpose of supporting the programs, facilities and research and educational opportunities offered by LSU, and supporting research and educational opportunities, including, without limitation, medical training programs offered by the Administrators of the Tulane Educational Fund (Tulane), including, without limitation, the following: (i) operating University Medical Center in New Orleans (UMC); (ii) operating in a manner consistent with the best practices of private, nonprofit institutions; (iii) being a provider of financial assistance for the uninsured and playing a pivotal role as a statewide referral center for patients in need of tertiary care; (iv) providing medical and allied health training; and, (v) being recognized nationally as a leader in research, training, and excellence in transparent clinical and financial outcomes.

University Medical Center Management Corporation, with its vision of being an integrated, world class academic medical center acknowledges that LCMC Health has the resources and expertise necessary to achieve its vision. LCMC Health is the sole corporate member of UMCMC. On May 29, 2013, UMCMC and LCMC Health, entered into an Amended and Restated CEA (UMC CEA) with the Board of Supervisors of LSU, the Louisiana Division of Administration, the State of Louisiana (the State), through its Division of Administration. The objective of the UMC CEA is to maintain the viability of operations and patient care services and programs at UMC, thereby stabilizing and preserving academic medicine in Louisiana.

The UMC CEA was entered into for the public purpose of creating an academic medical center in which the parties continuously work in collaboration and are committed and aligned in their actions and activities, in a manner consistent with a sustainable business model and adequate funding levels, to serve the State and its citizens: (i) as a premier site for graduate medical education, capable of competing in the health care marketplace, comparable among its peers, with the goal of attracting the best faculty, residents and students, to enrich the State's health care workforce and their training experience; (ii) in fulfilling the State's historical mission of assuring access to safety net services to all citizens of the State, including its medically indigent, high risk Medicaid and State inmate populations, and (iii) by focusing on and supporting the core services and key service lines, as defined and agreed by the parties, necessary to assure high quality programs and access to safety net services.

The UMC CEA also provides that UMCMC will enter into academic affiliation agreements with LSU, Tulane, Xavier University, Dillard University, University of New Orleans, Delgado Community College, and other academic institutions to strengthen and enhance opportunities to achieve the State's medical education, clinical care and research goals as part of a collaborative Academic Medical Center (the AMC). UMCMC and LCMC Health commit to supporting the academic, clinical, and research missions of the AMC.

Note 1. Organization (Continued)

The UMC CEA further provides that LSU will lease UMC and certain furniture, fixtures, and equipment used in connection with operating UMC to UMCMC, that LSU and the State will grant to UMCMC a right-of-use of the land upon which UMC is constructed and operated and certain land improvements surrounding UMC pursuant to a right-of-use agreement, and that UMCMC and LCMC Health will commit to supporting the academic, clinical, and research missions of the AMC, as defined within the UMC CEA.

As prescribed in the UMC CEA, LCMC Health may withdraw as the sole member of UMCMC, without cause, upon providing sixty days advance written notice. For additional details of this UMC CEA see Note 18.

In November 2014, West Jefferson was formed pursuant to an operating agreement with LCMC Health being the sole member, having exclusive authority to direct, manage, control, and make all decisions regarding the business and affairs of West Jefferson to act in conjunction with the purposes of LCMC Health. West Jefferson operates a 419-bed hospital located in Marrero, Louisiana providing general acute care along with clinical and other health care operations at various other locations in the New Orleans metropolitan area.

West Jefferson operates via assets leased to it by Jefferson Parish Hospital District No. 1, Parish of Jefferson, State of Louisiana, d/b/a West Jefferson Medical Center (the District) under the terms of a CEA (WJ CEA) and a Master Hospital Lease. The WJ CEA was entered into on February 26, 2015, by and among LCMC Health, West Jefferson, and the District in order to maintain the viability of operations and range of patient care services and programs previously provided by the District. West Jefferson began operating the assets leased to it by the District effective October 1, 2015. The terms and conditions of the WJ CEA and the Master Hospital Lease are further described in Note 18.

On September 18, 2016, West Jefferson became the sole member of New Orleans Physician Services, Inc. (NOPS). NOPS is organized and operated exclusively for charitable, educational, and scientific purposes, and for the delivery of healthcare services, including free healthcare services to indigent persons, in Jefferson Parish.

Prior to February 6, 2017, Children's was the sole member of its affiliate, Children's Hospital Anesthesia Corporation (CHAC), a tax-exempt corporation. CHAC was incorporated to provide high quality, comprehensive anesthesia services. Effective February 6, 2017, LCMC Health and Children's executed a member substitution agreement whereby LCMC Health became the sole member of CHAC. This was a common control transaction and had no impact on the assets and liabilities of CHAC. The purpose of the member substitution was to allow CHAC to become the primary provider of anesthesia services to the hospitals within the System. After the member substitution, CHAC's name was changed to the LCMC Health Anesthesia Corporation (LHAC).

Note 1. Organization (Continued)

On November 20, 2017, LCMC Health Clinical Services, LLC, (LHCS) was formed by LCMC Health as its sole member. LHCS had no activities from its inception through December 31, 2017. LHCS activities began January 1, 2018. The revenues generated at LHCS from unconsolidated affiliates do not support the costs of its operations, and the System records the activities of LHCS in community support, net in the consolidated statements of operations.

On June 18, 2019, Audubon Retirement Village (ARV) was formed by LCMC Health as its sole member. LSU and ARV executed a Cooperative Endeavor Agreement (CEA) whereby ARV will operate the John J. Hainkel Jr. Home and Rehabilitation Center (Nursing Home) with the public purpose of establishing a Geriatric Training Nursing Facility (GTNF Program) where much needed graduate medical education will be conducted to train physicians and allied health professionals in the provision of care to the elderly and needy residents of Louisiana. ARV and LSU will enter into academic affiliation and/or professional service agreements, as necessary, to collaborate in establishing the GTNF Program.

ARV began operations with the execution of a lease agreement of the Nursing Home on June 28, 2019, that is more fully described in Note 18.

On October 15, 2019, articles of incorporation for Louisiana Health Holdings, Inc. were filed with the Louisiana Secretary of State. The principal purpose of LCMC Health Holdings, Inc. is the provision of health care services as a member of the System, with LCMC Health being its sole member. LCMC Health Holdings, Inc. began providing health care services effective October 1, 2020, after effecting an asset purchase agreement with the Jefferson Parish Hospital Service District No. 2, Parish of Jefferson, State of Louisiana for the purchase of EJGH and certain of its affiliates. Further details and terms of this purchase are further provided in Note 18.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements of the System include the activities of LCMC Health, Children's, Touro, EJGH, UMCMC, West Jefferson, LHAC, LHCS, ARV, NOCS, LHPL, and LHCSP. All significant intercompany transactions have been eliminated in consolidation.

The System also provides management services to New Orleans East Hospital (NOEH) as further described in Note 18.

Note 2. Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Financial statement preparation follows accounting principles generally accepted in the United States of America (U.S. GAAP), which requires the System to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period.

The System considers critical accounting policies to be those that require significant judgments and estimates in the preparation of its consolidated financial statements, including the following: recognition of net patient revenue, which includes explicit and implicit pricing concessions, such as contractual allowances discounts, collectability assessment of outstanding accounts receivables, and charity care; losses and expenses related to the self-insured workers' compensation, professional liabilities, and employee health claims; assumptions regarding the fair values of assets and liabilities assumed in business combinations; and risks and assumptions for measurement of pension and other postretirement liabilities. Management bases its estimates on historical experience and various other assumptions that it believes are reasonable under the particular facts and circumstances. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include certain investments in highly liquid debt instruments with a remaining maturity of three months or less when purchased. Cash and cash equivalents held in investment trading accounts are classified as investments. Cash and cash equivalents totaled approximately $80,093 and $175,980 at December 31, 2022 and 2021, respectively. Cash Limited as to Use, at December 31, 2022 and 2021, totaled approximately $217,554 and $-0-, respectively.

Inventories

Inventories are stated at the lower of first-in, first-out cost, or at its market value at the date of the consolidated balance sheets.

Assets Limited As to Use

Assets whose use is limited primarily include assets held by trustees indenture agreements, investments with donor restrictions, and designated assets set aside by the Board for future capital improvements and commitments, over which the Board retains control and may, at its discretion, subsequently use for other purposes.

Note 2. Summary of Significant Accounting Policies (Continued)

Assets Limited as to Use (Continued)

These investments are recorded at fair value with changes in fair value recorded in the consolidated statements of operations. Fair value estimates are made at a specific point in time, based on market conditions and information about the investments. These estimates are subjective in nature and involve uncertainties and matters of judgment. Changes in assumptions could affect the estimates.

The investments in marketable alternative investments are valued by management at their equity in the net assets of the investment, which approximates fair value, utilizing the net asset valuation provided by the underlying investment companies, unless management determines some other valuation is more appropriate. Such fair value estimates do not reflect early redemption penalties or redemption restrictions as the System does not intend to sell such investments before the expiration of the early redemption periods.

Leases

Accounting Standards Update (ASU) 2016-02 was issued to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The adoption of ASU 2016-02 was accomplished using a modified retrospective method of application, with accounting policies related to leases revised accordingly, effective January 1, 2019, as discussed below.

The System determines if an arrangement is a lease at inception of the contract. Right-of-use (ROU) assets represent the right to use the underlying assets for the lease term, and lease liabilities represent the obligation to make lease payments arising from the leases. ROU assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The System uses its estimated incremental borrowing rate, which is derived from information available at the lease commencement date, in determining the present value of lease payments.

The System's operating leases are primarily for real estate, including off-campus outpatient facilities, medical office buildings, and corporate and other administrative offices. The System's real estate lease agreements typically have initial terms of 4 to 30 years. In line with this ASU, the System does not record ROU assets and lease liabilities on leases with an initial term of 12 months, or less, in the consolidated balance sheets.

The System's real estate leases may include one or more options to renew, with renewals extending the lease term for multiple years. The exercise of lease renewal options is at the System's sole discretion. In general, the System does not consider it reasonably likely that renewal options will be exercised; therefore, renewal options are generally not recognized as part of ROU assets and lease liabilities.

Note 2. Summary of Significant Accounting Policies (Continued)

Leases (Continued)

Certain of the System's lease agreements for real estate include rental payments adjusted periodically for inflation. These variable lease payments are recognized in supplies and other expenses, but are not included in the ROU asset or liability balances. The System's lease agreements do not contain any material residual value guarantees, restrictions, or covenants.

The System elected the practical expedient method that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and is applying this expedient to all relevant asset classes.

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost, except for assets donated to the System. Donated assets are recorded at their estimated fair value at the date of donation.

Depreciation and amortization, which includes amortization of assets under capital lease and the amortization of prepaid operating leases related to the UMC CEA and WJ CEA, are computed on the straight-line basis over the term of the operating leases and the estimated useful lives, or shorter of useful life or lease term for capital leases, as follows:

Land Improvements	10 - 20 Years
Buildings	15 - 40 Years
Leasehold Improvements	3 - 5 Years
Fixed Equipment	10 - 20 Years
Major Moveable Equipment	3 -10 Years

Impairment of Long-Lived Assets

The System reviews its long-lived assets, including property and equipment and other intangibles, for impairment and determines whether an event or change in facts and circumstances indicates that their carrying amount may not be recoverable.

The System determines recoverability of the assets by comparing their carrying amount to the net future undiscounted cash flows that the asset is expected to generate or estimated fair values in the case of nonrevenue generating assets. When the carrying value of an asset exceeds the estimated recoverability, an asset impairment charge is recognized.

Note 2. Summary of Significant Accounting Policies (Continued)

Prepaid Expenses and Other Assets

In accordance with the CEA's mentioned in Notes 1 and 18, advance rent payments were made on both the UMC lease and West Jefferson lease. These advance rent payments are being applied to the annual rent requirements as provided in the leases. As of December 31, 2022 and 2021, the amounts classified as current were approximately $14,500 and are included within prepaid expenses on the consolidated balance sheets. As of December 31, 2022 and 2021, the amounts classified as noncurrent were approximately $359,000 and $373,000, respectively, and are presented as Long-Term Portion of Prepaid Leases on the consolidated balance sheets.

Deferred Financing Costs and Original Issue Premium

As presented in Note 10, deferred financing costs, original issue premiums, and original issue discounts are netted with the related debt and are amortized over the period the obligation is outstanding using a method that approximates the interest method.

Estimated Workers' Compensation, Professional Liability, and Employee Health Claims

The System records the provisions for estimated medical, professional, and general liability, and workers' compensation claims based upon actual claims incurred, combined with an estimate of claims incurred but not reported. Claims expense is reduced by amounts recoverable through stop-loss insurance purchased by the System. Estimates recorded for these self-insured liabilities incorporate the System's past experience, as well as other considerations including the nature of claims, industry data, relevant trends, and/or the use of actuarial information.

The System follows ASU 2010-24, *Health Care Entities (Topic 954): Presentation of Insurance Claims and Related Insurance Recoveries*, which clarifies that a health care entity should not net insurance recoveries against a related claim liability.

Pension and Other Postretirement Plans

The System recognizes the underfunded status of its pension and other postretirement plans as a liability in its consolidated balance sheets. Changes in the funded status of the pension and other postretirement plans are reported as a change in unrestricted net assets presented below the excess of revenues over expenses financial statement line item in the consolidated statements of changes in net assets in the year in which the changes occur.

Note 2. Summary of Significant Accounting Policies (Continued)

Deferred Revenue

When the System receives payments for providing services in advance of it providing those services, recognition of revenue is deferred until the period in which the services are provided, and all obligations of the System are relieved.

Fair Value of Financial Instruments

The System accounts for certain assets and liabilities at fair value or on a basis that approximates fair value. A fair value hierarchy for valuation inputs prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of the three levels and is determined by the lowest level input that is significant to the fair value measurement in its entirety. These levels are:

Level 1 Quoted prices are available in active markets for identical assets or liabilities as of the measurement date. Financial assets in this category primarily include listed equities.

Level 2 Pricing inputs are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and for which all significant inputs are observable, either directly or indirectly, as of the measurement date. Financial assets and liabilities in this category generally include asset-backed securities, corporate bonds and loans, municipal bonds, and interest rate swaps.

Level 3 Pricing inputs are generally unobservable and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require management's judgment or estimation of assumptions that market participants would use in pricing the assets or liabilities. Financial assets in this category generally include alternative investments.

Derivatives and Financial Instruments

The System uses interest rate swap and basis swap agreements to manage interest costs and the risk associated with changing interest rates. The fair value of these instruments is recorded in other receivables or other current liabilities on an instrument by instrument basis depending on the current value in the consolidated balance sheets. While the System's primary objective for the use of these instruments is to manage its cash flow requirements, unrealized gains and losses in the fair value of such instruments are reflected in investment income or loss in the consolidated statements of operations in accordance with the *Accounting for Derivative Instruments and Hedging Activities* Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC).

Note 2. Summary of Significant Accounting Policies (Continued)

Patient Service Revenue

Patient service revenue is reported at the amount that reflects the consideration to which the System expects to be entitled for providing patient care. These amounts are due from patients and third-party payors and include variable consideration for retroactive revenue adjustments due to settlement of reviews and audits as well as supplemental payments related to current period operations. Generally, the System bills the patients and third-party payors after the services are performed or shortly after discharge. Revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by the System.

Revenue for performance obligations satisfied over time is recognized based on actual charges incurred, which is reduced by an amount that reflects the consideration expected to be received for the services provided based on historic collection patterns. The System believes that this method provides a reasonable depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation.

Generally, performance obligations satisfied over time relate to patients receiving inpatient acute care services. The System measures the performance obligation from admission into the hospital to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge. These services are considered to be a single performance obligation. Revenue for performance obligations satisfied at a point in time is recognized when services are provided. Management believes this method provides an accurate depiction of the transfer of services over the term of performance obligations based on the inputs needed to satisfy the obligations.

The System recognizes revenue for performance obligations satisfied at a point in time, which generally relate to patients receiving outpatient services, when: (1) services are provided, and (2) the patient no longer requires additional services.

Because its performance obligations relate to contracts with a duration of less than one year, the System has elected to apply the optional exemption provided in FASB ASC 606-10-60-14(a), and therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period. As provided for under the guidance, the System does not adjust the expected net revenue from patients and third-party payors for the effects of a significant financing component due to the expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payor pays for that service will be one year or less.

Note 2. Summary of Significant Accounting Policies (Continued)

Patient Service Revenue (Continued)

The System is utilizing the portfolio approach practical expedient in ASC 606 for contracts related to patient service revenue. The System accounts for the contracts within each portfolio as a collective group, rather than individual contracts, based on the payment pattern expected in each portfolio category and the similar nature and characteristics of the patients within each portfolio. The portfolios consist of major payor classes for inpatient and outpatient revenue. Based on historical collection trends and other analyses, the System has concluded that revenue for a given portfolio would not be materially different from accounting for revenue on a contract-by-contract basis.

Gross charges differ from actual pricing and generally do not reflect what a hospital is ultimately paid and, therefore, are not displayed in the consolidated statements of operations. The System has agreements with third-party payors that generally provide for payments at amounts different from the System's established rates. For uninsured patients who do not qualify for financial assistance, the System recognizes revenue based on established rates, subject to certain discounts and implicit price concessions in accordance with its policy.

The System determines the transaction price based on standard charges for services provided, reduced by explicit price concessions provided to third-party payors, discounts provided to patients in accordance with policy, and implicit price concessions provided to patients. Explicit price concessions are based on contractual agreements, discount policies, and historical experience. Implicit price concessions represent differences between amounts billed and the estimated consideration the System expects to receive from patients, which are determined based on historical collection experience, current market conditions, and other factors. Generally, patients who are covered by third-party payors are responsible for patient responsibility balances, including deductibles and coinsurance, which vary in amount. The System estimates the transaction price for patients with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any explicit price concessions, discounts, and implicit price concessions.

Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change when new information is available. This includes provisions for third-party payor settlements and supplemental payments. Adjustments arising from a change in the transaction price were not significant in 2022 or 2021.

Note 2. Summary of Significant Accounting Policies (Continued)

Patient Service Revenue (Continued)
Settlements with third-party payors for retroactive adjustments due to review and audits are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care in the period the related services are provided using the most likely outcome method. The System records retroactive Medicare and Medicaid settlements based upon estimates of amounts that are ultimately determined through annual cost reports filed with and audited by the fiscal intermediary, correspondence from the payor and the System's historical settlement activity, including an assessment to ensure that it is probable that a significant revenue reversal in the amount of the cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known or as years are settled or are no longer subject to such reviews and audits. Adjustments arising from a change in estimated settlements increased patient service revenue by approximately $34,300 and $20,200 in 2022 and 2021, respectively.

Grants, Contributions, and Gifts With Donor Restrictions
From time to time, the System receives grants from individuals, private, and public entities. Revenues from grants (including contributions of capital assets) are recognized when all of the eligibility requirements, including time requirements, are met, and when there is reasonable assurance that the grants will be received. Grants may be restricted for either specific operating purposes or for capital purposes. Amounts are recorded as either operating or non-operating revenue based upon their nature.

Unconditional promises to give cash and other assets which are expected to be collected within one year are reported at fair value at the date the promise is received. Contributions that are expected to be collected in future years are recorded at fair value when the promise is made based on a discounted cash flow model. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. Conditional promises to give and indications of intentions to give are reported at fair value at the date the condition is met, or the gift is received. Gifts are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When an externally-imposed restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of operations as net assets released from restrictions.

Certain net assets with donor restrictions have been restricted by donors to be maintained by the System in perpetuity.

Contributions for which the restrictions are met in the same period in which the unconditional promise to give is received are recorded as revenue without donor restrictions in the accompanying consolidated financial statements.

Note 2. Summary of Significant Accounting Policies (Continued)

Operating and Nonoperating Activities

The System's primary mission is to meet the healthcare needs in its market area through a broad range of general and specialized healthcare services. Activities directly associated with the furtherance of this purpose are considered to be operating activities. Other activities that are peripheral to the System's primary mission are considered to be nonoperating.

Excess of Revenues over Expenses

Excess of revenues over expenses includes all changes in net assets without donor restrictions except for the effect of changes in accounting principles, net assets released from restrictions used for purchase of property and equipment, change in funded status of pension obligations, change in the non-controlling interests, funds donated from unconsolidated sources for purchases of property and equipment, and the donation of property and equipment from unconsolidated sources.

Financial Assistance Program

The System provides medical care without charge or at reduced costs to residents of its community through the provision of financial assistance. The System follows ASU 2010-23, *Health Care Entities (Topic 954)*, which requires that costs be used as the measurement basis of financial assistance disclosures and that costs be identified as the direct and indirect costs of providing the financial assistance. The entities within the System each have their own unique policy for determining costs. They either: (1) assign direct costs of their financial assistance program and complement those direct costs with estimates determined from Medicare and Medicaid cost reporting methodologies, or (2) calculate a ratio of costs to usual and customary charges and apply that ratio to the usual and customary uncompensated charges associated with providing care to patients that qualify for financial assistance. The System also follows the new regulation under Section 501(r) as established by the Affordable Care Act, which requires policies for financial assistance, emergency medical care, and billing and collections.

During the years ended December 31, 2022 and 2021, estimated costs associated with providing financial assistance, throughout the System, were approximately $50,584 and $46,607, respectively.

Coronavirus Aid, Relief, and Economic Security Act

In response to the economic impact of COVID-19, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was enacted by Congress and was subsequently signed into law on March 27, 2020. The CARES Act included a variety of economic assistance provisions for businesses and individuals. For the years ended December 31, 2022 and 2021 respectively, the System recognized approximately $4,643 and $55,072 of revenue related to Provider Relief Funds which is included within other operating revenue.

Note 2. Summary of Significant Accounting Policies (Continued)

Coronavirus Aid, Relief, and Economic Security Act (Continued)

The CARES Act allowed the System to defer payment of the employer portion of the Social Security payroll tax. At least fifty percent (50%) of the deferred taxes were required to be paid by December 31, 2021, with the remainder to be paid by December 31, 2022. At December 31, 2022 and 2021 approximately $-0- and $11,548, respectively, is included as a component of accrued salaries and benefits within current liabilities on the consolidated balance sheets.

Under the CARES Act, the System also received advances under the Medicare Accelerated and Advance Payments Program (AAPP) in April 2020. Through the Continuing Appropriations Act, 2021 and Other Extensions Act that was enacted October 1, 2020, recoupment of these advances began one year after the date of their initial receipt of the advances. Recoupment was to continue over a period of 17 months that began in May 2021. During the years ended December 31, 2022 and 2021, approximately $33,100 and $39,300 was recouped. The System applied for and was granted an extension of time to pay the remaining balance of approximately $6,200 during the 2023 year. The System has classified these advances as Medicare Advance Payments within current liabilities on its consolidated balance sheets.

Recently Adopted Accounting Pronouncements

Effective January 1, 2022, the System adopted ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the statements of operations as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. The adoption of ASU 2020-07 did not have a significant impact on the System's consolidated financial statements. See Note 21.

Income Taxes

LCMC Health, Children's, UMCMC, Touro, LHAC, ARV, LCMC Health Holdings, Inc., and certain of their respective subsidiaries, are not-for-profit entities under Section 501(c)(3) of IRC and are exempt from federal income taxation. West Jefferson and LHCS are considered disregarded entities for federal and state income tax purposes, with their profits and losses presented together with LCMC Health.

CCPI, a subsidiary of Touro, is a for-profit entity. Through the year ended December 31, 2022, the operations of CCPI have resulted in cumulative net operating losses for Federal income tax purposes of approximately $75,200, of which approximately $30,500 have no expiration as to their use while approximately $44,700 expire in varying amounts through 2037. No tax benefits related to these operating losses have been recognized in the accompanying consolidated financial statements.

Note 2. Summary of Significant Accounting Policies (Continued)

Accounting for Uncertainty in Taxes
Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. Penalties and interest assessed by income taxing authorities, if any, would be included in income tax expense.

The System believes that it has appropriate support for any tax positions taken, and management has determined that there are no uncertain tax positions that are material to the consolidated financial statements.

Note 3. Patient Service Revenues

The System has arrangements with patients and third-party payors that provide for payments to the System at amounts different from its established rates. A summary of the payment arrangements with major payors follows:

Commercial
The System has also entered into contractual arrangements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. Inpatient and outpatient services rendered to patients covered by commercial insurance are reimbursed at prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates. In general, there is a lower risk to the System on revenues recognized from commercial insurers in comparison to other third-party payors.

Medicaid
In the context of healthcare reform, effective February 1, 2012, Louisiana Medicaid introduced Bayou Health, a state-wide managed care Medicaid initiative. Medicaid recipients enroll in one of five available Bayou Health plans. The plans are all accountable to the Louisiana Department of Health (LDH) and to the State. There are differences between these plans, including their provider networks, referral policies, health management programs, services and incentives offered to participants. Medicaid recipients can select Bayou Health plan for enrollment.

The System's reimbursements from the Bayou Health plans follow the same methodology as Medicaid; that is, LDH's objective is to continue collecting all Medicaid hospital program services and costs through the annual cost report uniformly, whether the service is covered by traditional Medicaid fee for service or a Prepaid Plan.

Note 3. Patient Service Revenues (Continued)

Medicaid (Continued)

All inpatient services, with the exception of transplants, rendered to Medicaid program beneficiaries are paid at prospectively determined per diem rates. Outpatient services rendered to Medicaid program beneficiaries are reimbursed either on a cost basis subject to certain limits or on a prospectively determined amount per procedure.

The State reimburses certain outpatient hospital services based on a percentage of actual cost. Since actual cost cannot be determined until after the fiscal year and the related cost report is completed, the hospitals estimate their cost-based reimbursement using prior year cost factors. The cost factors are adjusted for year-to-date changes in cost and volumes.

Transaction prices related to Medicaid revenues are more at risk of being increased or decreased in a period after the actual services were performed as described in the Third-Party Settlements section below.

Supplemental Payment Program

The System has collaborated with the State and units of local government in Louisiana to more fully fund the Medicaid program and to ensure the availability of quality healthcare services for the low income and needy residents in the community population. The provision of this care directly to low income and needy patients was supported through the State's plan that was approved by the Centers for Medicare and Medicaid Services (CMS).

Through June 30, 2022, the State's plan included payments through the following supplemental programs: Full Medicaid Pricing (FMP), an Upper Payment Limit, Graduate Medical Education, and Disproportionate Share. For the years ended December 31, 2022 and 2021, the System has recognized approximately $442,821 and $473,347 respectively, under the above mentioned supplemental programs, including it within net patient service revenue on the consolidated statements of operations. There are amounts owed to the System through these supplemental payment programs that are included within other receivables on the System's consolidated balance sheets. These amounts total approximately $102,104 and $150,799, at December 31, 2022 and 2021, respectively.

The State modified its supplemental payment program, consolidating the above programs into one program referred to as the Full Directed Payment program (MFP) that went into effect on July 1, 2022. The System is recognizing revenue based off of the amount allocated to the System by the LDH for the State's fiscal year that began July 1, 2022. Amounts recognized and received in 2022 under the MFP program totaled approximately $206,570 which are included within net patient service revenues on the consolidated statements of operations.

Note 3. Patient Service Revenues (Continued)

Supplemental Payment Program (Continued)

Effective January 1, 2019, the System entered in an agreement with the Louisiana Quality Network (LQN) to facilitate payments to the System under the State's Medicaid Managed Care Quality Incentive Program (Program). LDH amended its agreements with its MCOs to include quality-based performance measures and quality-based outcomes. With the expected achievement of the defined quality measures, LDH will fund the MCOs, who in turn will fund LQN, for the Managed Care Incentive Payment (MCIP). For each measurement year, LDH will evaluate the performance relative to the specific quality measures. In the event LDH finds a deficiency in the accomplishment of those performance measures, there is the potential for recoupment of the MCIPs.

Under the terms of the agreement with LQN, the System recognized estimated incentive payments for the years ended December 31, 2022 and 2021, of approximately $54,619 and $37,961, respectively, which is included within net patient service revenue. The System has amounts owed to it through this Program that it has included within other receivables on the consolidated balance sheets. These receivables total approximately $31,689 and $22,049 at December 31, 2022 and 2021, respectively.

Medicare

In general, the System is reimbursed under the Medicare Prospective Payment System (MPPS) for acute care inpatient services provided to Medicare beneficiaries, and is paid a predetermined amount for these services based on the Diagnosis Related Group (DRG) assigned to the patient. However, supplemental settlement based on annual cost reports occurs later as described below.

The System qualifies as a disproportionate share provider and as a teaching hospital under the Medicare regulations. As such, the System receives additional payments for Medicare inpatients served.

Outpatient services rendered to Medicare program beneficiaries are generally reimbursed by the Outpatient Prospective Payment System (OPPS), which establishes a number of Ambulatory Payment Classifications (APC) for outpatient procedures in which the System is paid a predetermined amount for these procedures. However, supplemental settlement based on annual cost reports occurs later as described below.

Transaction prices related to Medicare revenues are more at risk of being increased or decreased in a period after the actual services were performed as described in the Third-Party Settlements section below.

Managed Medicare

Medicare Advantage Plans are a type of Medicare health plan offered by a private company that contracts with Medicare to provide Part A and Part B benefits. Managed Medicare reimbursement plans are typically offered by Health Maintenance Organizations, Preferred Provider Organizations, Private Fee-for-Service Plans or Special Needs Plans. The System has entered into agreements with these organizations to provide services to subscribers covered under these plans.

Notes to Consolidated Financial Statements (All amounts in Thousands)

Note 3. Patient Service Revenues (Continued)

Managed Medicare (Continued)

Inpatient and outpatient services rendered to managed care subscribers are reimbursed at prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates. Transaction prices related to Managed Medicare revenues, generally, are more at risk of being increased or decreased in a period after the actual services were performed as described in the Third-Party Settlements section below.

Guarantor/Patient/Other

Generally, patients who are covered by third-party payors are responsible for patient responsibility balances, including deductibles and coinsurance, which vary in amount. The System estimates the transaction price for patients with deductibles and coinsurance based on historical experience and current market conditions. Current facts and historical patterns actually observed are used to estimate ongoing implicit price concessions.

Third-Party Settlements

As mentioned in Note 2, patient service revenue increased by approximately $34,300 and $20,203 in 2022 and 2021, respectively, due to changes in estimates resulting from the filing of cost reports; the removal of allowances previously estimated that are no longer necessary as a result of final settlements; years that are no longer subject to audits, reviews and investigations; revision if allowance estimates recorded in prior years relating to expected retroactive adjustments; and revisions based on updated information from the fiscal intermediary.

The table below shows the sources of patient service revenue for the years ended December 31st:

	2022			2021		
	Inpatient	Outpatient	Total	Inpatient	Outpatient	Total
Medicaid	$ 269,697	$ 257,131	$ 526,828	$ 232,101	$ 235,579	$ 467,680
UPL/FMP/MCIP/MFP	298,213	117,360	415,573	176,642	28,599	205,241
DSH	113,578	108,425	222,003	214,123	112,952	327,075
Medicare	129,632	98,770	228,402	125,622	123,806	249,428
Guarantor/Patient/Other	290	22,537	22,827	(2,344)	35,485	33,141
Other Third-Party						
Commercial	191,316	278,062	469,378	196,146	227,807	423,953
Managed Medicare	181,720	170,226	351,946	174,029	147,105	321,134
Eldercare	25,025	-	25,025	20,061	-	20,061
Net Patient Service Revenue	$ 1,209,471	$ 1,052,511	$ 2,261,982	$ 1,136,380	$ 911,333	$ 2,047,713

Patient Accounts Receivables

Patient Accounts Receivables are carried at a net amount determined by the original charge for the services provided, less an estimate made for implicit and explicit pricing concessions provided. The System had net patient accounts receivables of approximately $249,509, $220,721, and $219,596, on December 31, 2022, 2021, and 2020, respectively.

Notes to Consolidated Financial Statements (All amounts in Thousands)

Note 4. Assets Limited as to Use

At December 31, 2022 and 2021, assets limited as to use are invested as allowed and consist of the following investment categories:

	2022	2021
Marketable Equity Securities	$ 614,063	$ 796,154
Other Fixed Income Securities	476,548	596,724
Cash	217,554	-
Money Market Funds, Certificates of Deposit, and Commercial Paper	10,447	39,946
Corporate Bonds	1,038	1,129
State of Israel Bonds	500	500
U.S. Government Securities	34	34
Total	$ 1,320,184	$ 1,434,487

The System has approximately $73,852 in future commitments to current hedge fund managers. Some hedge fund managers have withdrawal restrictions established upon entering their funds which limit an investor's ability to withdraw amounts as a protection for their investments. There also may be fees associated with early withdrawal that generally lapse over defined time periods. These restrictions generally allow for quarterly withdrawals; however, in no case does the withdrawal limitation extend beyond one year.

Note 5. Derivative Instruments

The System entered into derivative instruments consisting of interest rate swap agreements.

At December 31, 2022, the instruments consist of the following:

Trade Date	Maturity	Notional Amount	Hedged Rate		Derivative Rate	Counterparty
August 15, 2005 (amended December 5, 2016)	January 1, 2023	$ 1,705	6.125%		USPSA	Touro
April 24, 2015 (amended December 5, 2016)	October 1, 2023	$ 35,615	3.900%		USPSA	Touro
June 9, 2021	June 9, 2026	$ 79,610	6.35%	*	USD-LIBOR	Children's
June 9, 2021	June 9, 2026	$ 31,000	6.85%	*	USD-LIBOR	Children's
June 9, 2021	June 9, 2026	$ 53,585	6.85%	*	USD-LIBOR	Children's
June 9, 2021	June 9, 2026	$ 90,210	7.00%	*	USD-LIBOR	Children's

Notes to Consolidated Financial Statements (All amounts in Thousands)

Note 5. Derivative Instruments (Continued)

At December 31, 2021, the instruments consist of the following:

Trade Date	Maturity		Notional Amount	Hedged Rate		Derivative Rate	Counterparty
August 15, 2005 (amended December 5, 2016)	January 1, 2023	$	5,100	6.125%		USPSA	Touro
April 24, 2015 (amended December 5, 2016)	October 1, 2023	$	37,080	3.900%		USPSA	Touro
June 9, 2021	June 9, 2026	$	79,610	6.35%	*	USD-LIBOR	Children's
June 9, 2021	June 9, 2026	$	31,000	6.85%	*	USD-LIBOR	Children's
June 9, 2021	June 9, 2026	$	53,585	6.85%	*	USD-LIBOR	Children's
June 9, 2021	June 9, 2026	$	90,210	7.00%	*	USD-LIBOR	Children's

* From and including October 1, 2019 to the maturity date, 5.50%.

Interest expense associated with the debt instruments was reduced by the realized gains and interest earnings from the swaps' effectiveness by approximately $9,203 and $14,544 in 2022 and 2021, respectively. At December 31, 2022 these agreements had a net carrying value (which approximates fair value) as a liability of approximately $6,436. At December 31, 2021, these agreements had a net carrying value (which approximates fair value) as an asset of approximately $3,779.

With respect to the derivative instruments held at December 31, 2022 and 2021, the System's exposure to credit-related losses in the event of nonperformance by counterparties is minimized because the counterparties are international banks with excellent credit ratings.

All derivative instruments are subject to market risk, which is the risk that future changes in market conditions may make an instrument less valuable or more onerous. Exposure to market risk is managed in accordance with risk limits set by the investment committee of the LCMC Health Board of Trustees and by monitoring performance by investment managers in accordance with specified investment guidelines.

Notes to Consolidated Financial Statements (All amounts in Thousands)

Note 6. Leases

The following table presents the components of the System's ROU assets and liabilities related to leases and their classification in the consolidated balance sheets at December 31st:

Component of Lease Balances	Classification in Consolidated Balance Sheet	December 31, 2022	December 31, 2021
Assets			
Finance Lease Assets	Finance Lease Assets	$ 14,376	$ 14,647
Operating Lease Assets	Other Assets	43,784	61,133
Total Lease Assets		$ 58,160	$ 75,780
Liabilities			
Finance Lease Liabilities			
Current	Other Current Liabilities	$ 2,394	$ 1,663
Long-Term	Finance Lease Liabilities	11,580	13,340
Operating Lease Liabilities			
Current	Other Current Liabilities	6,743	7,117
Long-Term	Other Long-Term Liabilities	40,265	47,625
Total Lease Liabilities		$ 60,982	$ 69,745

The following table presents the components of the System's lease costs and other information related to leases and their classification in the consolidated statements of operations for the years ending December 31st:

	Year Ending December 31, 2022	2021
Finance Lease Cost		
Amortization of Right-of-Use Assets Recorded in Depreciation and Amortization	$ 1,518	$ 1,431
Interest on Lease Liabilities Recorded in Interest Expense	1,214	405
Operating Lease Cost Recorded in Supplies and Other Expenses	10,164	10,105
Short-Term Lease Cost Recorded in Supplies and Other Expenses	23,115	14,122
Total Lease Cost	$ 36,011	$ 26,063
Other Information		
Cash Paid for Amounts Included in the Measurement of Lease Liabilities		
Operating Cash Flows from Finance Leases	$ 1,214	$ 405
Operating Cash Flows from Operating Leases	9,998	9,177
Financing Cash Flows from Finance Leases	2,733	1,433
Right-of-Use Assets Obtained in Exchange for New Finance Lease Liabilities	-	3,810
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	9,375	23,224
Weighted-Average Remaining Lease Term-Finance Leases	11.0 years	12.8 years
Weighted-Average Remaining Lease Term-Operating Leases	7.9 years	7.9 years
Weighted-Average Discount Rate-Finance Leases	2.23%	2.23%
Weighted-Average Discount Rate-Operating Leases	3.00%	3.00%

Notes to Consolidated Financial Statements (All amounts in Thousands)

Note 6. Leases (Continued)

Future maturities of lease liabilities at December 31, 2022 are presented in the following table:

Year Ending December 31,	Operating Leases	Finance Leases
2023	$ 8,043	$ 2,874
2024	7,215	1,171
2025	6,611	1,199
2026	6,189	1,228
2027	5,651	1,277
Thereafter	19,181	8,589
Total Lease Payments	52,890	16,338
Less: Imputed Interest	(5,882)	(2,364)
Total Lease Obligations	47,008	13,974
Less: Current Obligations	(6,743)	(2,394)
Long-Term Lease Obligations	$ 40,265	$ 11,580

Note 7. Property, Plant, and Equipment

At December 31st, property, plant, and equipment consisted of the following:

	2022	2021
Land and Land Improvements	$ 112,246	$ 113,960
Leasehold Improvements	7,751	1,524
Buildings	781,149	737,223
Fixed Equipment	188,182	177,437
Major Moveable Equipment	821,656	732,243
	1,910,984	1,762,387
Less: Accumulated Depreciation	(925,746)	(864,326)
Construction in Progress	147,247	127,061
Property, Plant and Equipment, Net	$ 1,132,485	$ 1,025,122

Depreciation expense on depreciable assets was approximately $117,280 and $101,283 for the years ended December 31, 2022 and 2021, respectively.

Notes to Consolidated Financial Statements (All amounts in Thousands)

Note 8. Investments in Joint Ventures

The System has invested in various joint ventures that are accounted for using the equity method. Summarized financial information for the System's equity investments in its joint ventures, in approximation, for 2022 present equity earnings of $5,539, distributions of $4,709, capital contributions of $-0-, and total equity at December 31, 2022 of $46,366. For the year ended December 31, 2021, equity earnings of $5,330, distributions of $6,837, capital contributions of $175, and total equity at December 31, 2021 of $45,536.

Note 9. Line of Credit

The System has a revolving line of credit note (RLOC Note) that provides borrowing up to $100,000. Interest is payable quarterly at SOFR plus 0.60%. At December 31, 2022 and 2021, the outstanding balance was $100,000 and $50,000, respectively. In March 2023, the RLOC Note was amended, extending its maturity to February 2024. The amended agreement requires a mandatory prepayment on or before June 30, 2023, in an amount equal to the lesser of $100 million or the outstanding amount of the RLOC Note. At such time, the lender's commitment to advance funds is reduced to a maximum principal of $50 million; however, the System may request increases in the lender's commitment up to $100 million.

Note 10. Bonds Payable

At December 31st, bonds payable consist of the following tax-exempt revenue and refunding bonds issued by the Louisiana Public Facilities Authority on behalf of Touro and LCMC Health:

	2022	2021
Series 1993 Bonds Interest fixed at 6.125%, principal and interest payable annually through maturity on August 15, 2027.	$ 1,705	$ 5,100
Series 2015 Bonds Interest fixed at 3.90%, principal and interest payable annually beginning in 2020 through maturity in 2029.	35,615	37,080
Series 2015 A1 - Serial Bonds Interest fixed at 5.00%, payable semi-annually, beginning December 1, 2018. Principal payments begin June 1, 2036 through maturity on June 1, 2039.	27,515	27,515
Series 2015 A1 - Term Bonds Interest at 5% per annum, payable semi-annually, beginning December 1, 2018. Mandatory redemption beginning June 1, 2040 through maturity on June 1, 2045.	27,320	27,320

Notes to Consolidated Financial Statements (All amounts in Thousands)

Note 10. Bonds Payable (Continued)

	2022	2021
Series 2015 A1 - Term Bonds Interest at 4% per annum, payable semi-annually, beginning June 1, 2018. Mandatory redemption beginning June 1, 2040 through maturity on June 1, 2045.	25,000	25,000
Series 2015 A2 Bonds - Term Rate Mode Initial interest rate of 5.00% through June 1, 2025. Interest is payable semi-annually, beginning December 1, 2018. Mandatory redemption beginning June 1, 2036 through maturity on June 1, 2045.	75,140	75,140
Series 2015 A3 Bonds - Term Rate Mode Initial interest rate of 5.00% through June 1, 2023. Interest is payable semi-annually, beginning December 1, 2018. Mandatory redemption beginning June 1, 2036 through maturity on June 1, 2045.	27,095	27,095
Series 2017 Bonds - Index Rate Mode Initial Index Rate is SIFMA plus 0.65% (65 basis points). Interest is payable monthly beginning September 4, 2018. Mandatory sinking fund redemption beginning September 1, 2046 through maturity on September 1, 2057.	125,000	125,000
Series 2020A Bonds - Term Bonds Interest at 3% per annum, payable semi-annually, beginning December 1, 2020. Mandatory sinking fund redemption beginning June 1, 2046 through maturity on June 1, 2050.	55,000	55,000
Series 2020A Bonds - Term Bonds Interest at 4% per annum, payable semi-annually, beginning December 1, 2020. Mandatory sinking fund redemption beginning June 1, 2046 through maturity on June 1, 2050.	40,850	40,850
Taxable:		
Series 2020B Bonds - Term Bonds Interest at 2.282% per annum, payable semi-annually, beginning December 1, 2020. Early redemption allowed at a make-whole redemption price. Full principle due at maturity on June 1, 2030.	102,280	102,280
Series 2021 A1 Bonds - Fixed Rate Mode Interest of 6.35%, payable semi-annually Principal due at maturity in 2031	79,610	79,610

Notes to Consolidated Financial Statements (All amounts in Thousands)

Note 10. Bonds Payable (Continued)

	2022	2021
Series 2021-A1.2 Bonds - Fixed Rate Mode		
Interest at 6.85%, payable semi-annually		
Principal due at maturity in 2041	31,000	31,000
Series 2021-B1.1 - Fixed Rate Mode		
Interest at 6.85%, payable semi-annually		
Principal due at maturity in 2041	53,585	53,585
Series 2021-B1.2 - Fixed Rate Mode		
Interest at 7.00%, payable semi-annually		
Principal due at maturity in 2051	90,210	90,210
Series 2022 A Bonds - Index Rate Mode		
Initial Index Rate is SOFR plus 0.90% (90 basis points)		
Interest is payable monthly beginning February 2023		
Subject to redemption prior to its maturity of December 1, 2052	200,000	-
	996,932	801,785
Plus: Unamortized Original Issue Premium	22,051	23,171
Less: Unamortized Original Issue Discount	(16)	(37)
Less: Debt Issuance Costs, Net of Amortization	(8,144)	(7,960)
	1,010,823	816,959
Less: Current Maturities of Bonds Payable	(3,230)	(4,860)
Bonds Payable - Long-Term	$ 1,007,593	$ 812,099

At December 31, 2022, scheduled repayments of principal and sinking fund installments to retire the bonds are as follows:

2023	$ 3,230
2024	5,405
2025	5,614
2026	5,835
2027	6,060
Thereafter	970,781
Total	$ 996,932

Note 11. Note Payable

Fixed Rate Draw Note

UMCMC has a $28,000 fixed draw note with Bank of America, N.A. for purposes of funding the construction of a second parking garage on the UMCMC campus. The draws on the note bear interest from the borrowing date until they are paid in full, at a rate per annum equal to the Fixed Rate, as defined in the agreement. The interest rate at December 31, 2022 was 3.73%. Interest is payable semiannually on the first day of each April and October commencing on October 1, 2020. The note is scheduled to mature on March 20, 2025. It is secured on a parity with the Series 2021A Obligation.

Note 12. Employee Retirement Plans

Defined Contribution Plans

The Louisiana Children's Medical Center Retirement Savings Plan (LCMCRS Plan) was formed by LCMC Health as a Section 403(b) defined contribution employee benefit plan.

The LCMCRS Plan is a single-employer defined contribution plan sponsored by LCMC Health covering all eligible employees of LCMC Health and the following participating affiliates: Children's, CHMPC, Touro Infirmary, Woldenberg, UMCMC, EJGH, LCMC Health Clinical Services d/b/a NOLA Physician Group and West Jefferson.

With the exception of Woldenberg, employer contributions are comprised of a nonelective contribution of 2% of each eligible employee's compensation, a qualified matching contribution of 50% on an eligible employee's contribution up to 4% of the employee's eligible earnings, and an employer discretionary contribution up to 3% of each participant's compensation. Contributions by these entities during the years ended December 31, 2022 and 2021, were approximately $20,890 and $21,710, respectively.

Eligible employees of Woldenberg who participate may make tax-deferred contributions; however, Woldenberg does not match any portion of the employee's contributions nor does it make any discretionary contribution.

CCPI and NOPS sponsor their own 401(k) defined contribution employee benefit plan.

Note 12. Employee Retirement Plans (Continued)

Defined Contribution Plans (Continued)

Employees of CCPI may contribute to the Plan through salary deferrals. CCPI makes qualified matching contributions of 100% of an eligible employee's contribution up to 3% of their eligible earnings, plus 50% of an eligible employee's contribution in excess of 3% of their eligible earnings up to 5% of their eligible earnings. Contributions by CCPI during the years ended December 31, 2022 and 2021, were approximately $929 and $891, respectively.

NOPS employees, too, may contribute to the Plan through salary deferrals. Eligible employees receive a non-elective safe harbor contribution of 3% of their compensation. In addition, NOPS matches 100% of an eligible employee's contribution up to 2% of the employee's eligible earnings. Contributions by NOPS during the years ended December 31, 2022 and 2021 were approximately $799 and $890, respectively.

ARV employees do not participate in any System sponsored plan.

Defined Benefit Pension Plan

Through December 31, 2015, Touro Infirmary's defined benefit pension plan (the Plan) covers substantially all full-time employees. The Plan is noncontributory and provides benefits that are based on the participants' years of service and level of compensation. Effective January 1, 2016, the Plan was amended to eliminate pay credits and to eliminate the addition of participants.

The funding policy is based on the minimum and maximum funding standards under the Employee Retirement Income Security Act of 1974, as amended by the Pension Protection Act of 2006, as well as the Highway and Transportation Funding Act, as determined by its consulting actuaries.

The System's consolidated financial statements include net periodic pension gain of approximately $225 and $216 for the years ended December 31, 2022 and 2021, respectively. Contributions of $250 and $820, respectively, were made during the years ended December 31, 2022 and 2021. As of December 31, 2022 and 2021, the System has unfunded liabilities associated with this plan totaling approximately $4,911 and $6,356, respectively.

Notes to Consolidated Financial Statements (All amounts in Thousands)

Note 12. Employee Retirement Plans (Continued)

Defined Benefit Pension Plan (Continued)
The tables that follow set forth the Plan's components of net periodic pension cost, change in projected benefit obligation, change in plan assets, funded status, and pension expense recognized by Touro Infirmary as of and for the years ended December 31, 2022 and 2021 using the projected unit credit method with salary progression.

	2022	2021
Change in Benefit Obligation		
Benefit Obligation at Beginning of Year	$ 37,582	$ 40,909
Interest Cost	974	907
Actuarial Gain	(7,468)	(1,286)
Benefits Paid	(3,903)	(2,948)
Benefit Obligation at End of Year	27,185	37,582
Change in Plan Assets		
Fair Value of Plan Assets at Beginning of Year	31,226	31,699
Actual (Loss) Return on Plan Assets	(5,299)	1,655
Benefits Paid	(3,903)	(2,948)
Employer Contributions	250	820
Fair Value of Plan Assets at End of Year	22,274	31,226
(Underfunded) Status	$ (4,911)	$ (6,356)
Net Periodic Pension Cost		
Interest Cost	$ 974	$ 907
Actuarial Loss (Gain) on Plan Assets	6,202	(1,655)
Net Amortization	(7,401)	532
Net Periodic (Gain) Cost	$ (225)	$ (216)

Included in net assets at December 31st, are the following amounts that have not yet been recognized in net periodic postretirement benefit cost:

	2022	2021
Unrecognized Experience Loss	$ 9,551	$ 10,521
Total Accrued Benefit Cost	$ 9,551	$ 10,521

Amounts included in net assets at December 31, 2022, that are estimated to be amortized into net periodic post-retirement cost during 2023 total approximately $727.

Notes to Consolidated Financial Statements (All amounts in Thousands)

Note 12. Employee Retirement Plans (Continued)

Defined Benefit Pension Plan (Continued)

Weighted-average assumptions used to determine projected benefit obligations at December 31st were as follows:

	2022	2021
Discount Rate, Obligation	2.70%	2.70%
Discount Rate, Periodic Cost	2.30%	2.30%
Expected Return on Plan Assets	7.00%	7.00%
Cash Balance Interest Credit Rate	3.00%	3.00%

The defined benefit pension plan asset allocation as of the measurement date (January 1st) and the target asset allocation, presented as a percentage of total plan assets, were as follows:

	2022	2021	Target Allocation
Domestic Equity	24.0%	24.5%	24%
International Equity	17.9%	17.9%	17%
Fixed Income	30.6%	27.3%	30%
Cash/Short-Term Fixed Income	23.7%	26.3%	25%
Real Assets	3.8%	4.0%	4.0%

The Plan invests in a diversified mix of traditional asset classes, including equities, government and corporate fixed income debt securities, and cash and cash equivalents. The Plan's overall allocation is based on mean variance optimization modeling using certain assumptions regarding expected return, risk, and correlations among various asset classes. Asset allocation analysis considers various potential outcomes and probabilities of returns given current capital markets assumptions.

Notes to Consolidated Financial Statements (All amounts in Thousands)

Note 12. Employee Retirement Plans (Continued)

Defined Benefit Pension Plan (Continued)
As discussed in Note 2, the System uses a fair value hierarchy for valuation inputs.

The following tables set forth by level, within the fair value hierarchy, the Plan's investments at fair value as of December 31, 2022 and 2021:

2022	Level 1	Level 2	Total
Domestic Equity	$ 5,355	$ -	$ 5,355
International Equity	3,978	-	3,978
Fixed Income	1,153	5,652	6,805
Cash/Short-Term Fixed Income	5,281	-	5,281
Real Assets	855	-	855
Total	$ 16,622	$ 5,652	$ 22,274

2021	Level 1	Level 2	Total
Domestic Equity	$ 7,638	$ -	$ 7,638
International Equity	5,588	-	5,588
Fixed Income	1,585	6,948	8,533
Cash/Short-Term Fixed Income	8,205	-	8,205
Real Assets	1,262	-	1,262
Total	$ 24,278	$ 6,948	$ 31,226

In general, equity securities (both value and growth and active and passive) are utilized to provide expected returns above those of fixed income securities. Fixed income securities are utilized to provide a more stable and less volatile series of returns. The fixed income portfolio contains only securities considered investment grade by maintaining a rating of at least BAA/BBB by Moody's or Standard and Poor's rating agencies.

Professional money managers are delegated the day-to-day responsibility of managing individual portfolios within the context of certain diversification guidelines and to certain performance benchmark standards.

The Plan's investment consultant provides quarterly performance reports to evaluate the achievement of overall return expectations of total investments as well as each manager's contribution, both on the basis of absolute and relative performance standards.

Notes to Consolidated Financial Statements (All amounts in Thousands)

Note 12. Employee Retirement Plans (Continued)

Defined Benefit Pension Plan (Continued)

The Plan's overall asset allocation is reviewed periodically to conform to current market conditions and expectations with regard to overall capital markets assumptions. Historical return patterns and correlations, expected return risk premium, and other multifactor considerations are utilized in the development of overall capital markets assumptions for the purpose of the Plan's asset allocation determinations.

Touro Infirmary expects to make contributions of approximately $750 to the defined benefit pension plan in 2023.

Future benefit payments expected to be paid in each of the next five fiscal years and in the aggregate for the following five years as of December 31, 2022, are as follows:

2023	$	5,830
2024		1,734
2025		1,666
2026		1,692
2027		1,840
Thereafter		7,765
Total	$	20,527

Executive Benefit Plan

The System sponsors has benefits for both current and former members of senior management. These include supplemental executive retirement plans, deferred compensation plans and an executive employment retention plan, with specific vesting dates, providing the executive with tax deferral opportunities. Through a 457(b)-deferred compensation plan, the System has a liability of approximately $15,739 and $16,600, at December 31, 2022 and 2021, respectively, which is included in accrued salaries and benefits on the consolidated balance sheets. Related assets of approximately $15,739 and $16,600 at December 31, 2022 and 2021, respectively, are recorded in other assets on the consolidated balance sheets to fully settle these plan liabilities.

Notes to Consolidated Financial Statements (All amounts in Thousands)

Note 13. Concentrations of Credit Risk

Patient accounts receivable are stated at estimated net realizable value. The System grants credit without collateral to its patients, most of who are Gulf South region residents and are insured under third-party payor agreements.

The mix of receivables from patients and third-party payors at December 31st, was as follows:

	2022		2021	
Medicare	18	%	20	%
Medicaid	34		29	
Other Third-Party Payors	44		46	
Patients/Guarantor/Other	3		4	
Workers' Compensation	1		1	
Total	100	%	100	%

Receivables from government-related programs (i.e., Medicare and Medicaid) represent the largest concentrated group of credit risk for the System, and management does not believe that there are any credit risks associated with these government programs. Commercial and managed care receivables consist of receivables from various payors involved in diverse activities and subject to differing economic conditions and do not represent any concentrated credit risks to the System.

The System records implicit pricing concessions for estimated losses resulting from a payors inability to make payments on accounts. The System estimates the implicit pricing concessions based on historical write-offs and the aging of the accounts. Accounts are written off when collection efforts have been exhausted. Management continually monitors and adjusts its allowances associated with its receivables.

The System periodically maintains cash in bank accounts in excess of insured limits. The System has not experienced any losses and does not believe that significant credit risk exists as a result of this practice.

Note 14. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for purposes specific to healthcare programs and facilities totaling approximately $8,032 at December 31, 2022 and $8,730 at December 31, 2021, respectively.

They are also comprised of endowments that are subject to the spending policy of the System totaling approximately $5,953 at December 31, 2022 and $5,948 at December 31, 2021, respectively.

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. The assets whose purpose was met and released totaled approximately $3,383 and $3,644 for the years ended December 31, 2022 and 2021, respectively.

Note 15. Endowment

The State of Louisiana enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective August 15, 2010, the provisions of which apply to endowment funds existing on or established after that date. The net assets classified as perpetual in nature have been determined to meet the definition of endowment funds under UPMIFA.

The System holds donor-restricted endowment funds established primarily to fund specified activities for and within the System and the medical community as a whole. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board has interpreted the State of Louisiana's UPMIFA as requiring the preservation of the fair value at the original gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of the interpretation, the System classifies as net assets with donor restrictions - perpetual in nature (a) the original value of gifts donated as an endowment, (b) the original value of subsequent endowment gifts, and (c) accumulations to the endowments made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as perpetual in nature are classified net assets with donor restrictions - purpose restricted until those amounts are appropriated for expenditure by the System in a manner consistent with the standard of prudence prescribed in UPMIFA.

Notes to Consolidated Financial Statements (All amounts in Thousands)

Note 15. Endowment (Continued)

In accordance with UPMIFA, the System considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purpose of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the System, and (7) the System's investment policies.

Endowment Investment and Spending Policies: The System has adopted investment and spending policies for endowment assets to achieve a disciplined, consistent management philosophy that accommodates reasonable and probable events. Preservation of capital and return on investment are of primary importance. The primary investment objective is to preserve financial assets generated through donor gifts, so that the proceeds may be distributed for the purposes intended by the donors and to the benefit of the System, at a level of risk deemed acceptable by the LCMC Health investment committee. To satisfy its long-term rate-of-return objectives, the System relies on a strategy outlined by its investment policy statement and includes purchases of bonds, stocks, and cash and cash equivalents.

The System's Endowment Net Asset Composition by fund type as of December 31, 2022 is as follows:

	Without	With Donor Restrictions		
	Donor Restrictions	Purpose	Perpetual in Nature	Total
Donor-Restricted Endowment Funds	$ -	$ -	$ 5,953	$ 5,953
Undesignated Funds	-	-	-	-
Total	$ -	$ -	$ 5,953	$ 5,953

A summary of the changes in the System's Endowment Net Assets for the year ended December 31, 2022 is as follows:

	Without	With Donor Restrictions		
	Donor Restrictions	Purpose	Perpetual in Nature	Total
Net Assets, Beginning of Year	$ -	$ -	$ 5,948	$ 5,948
Investment Return				
Net Appreciation (Realized and Unrealized)	-	-	5	5
Total Investment Return	-	-	5	5
Net Assets, End of Year	$ -	$ -	$ 5,953	$ 5,953

Notes to Consolidated Financial Statements (All amounts in Thousands)

Note 15. Endowment (Continued)

The System's Endowment Net Asset Composition by fund type as of December 31, 2021 is as follows:

	Without Donor Restrictions	With Donor Restrictions Purpose	With Donor Restrictions Perpetual in Nature	Total
Donor-Restricted Endowment Funds	$ -	$ -	$ 5,948	$ 5,948
Undesignated Funds	-	-	-	-
Total	$ -	$ -	$ 5,948	$ 5,948

A summary of the changes in the System's Endowment Net Assets for the year ended December 31, 2021 is as follows:

	Without Donor Restrictions	With Donor Restrictions Purpose	With Donor Restrictions Perpetual in Nature	Total
Net Assets, Beginning of Year	$ -	$ -	$ 5,998	$ 5,998
Contributions	-	-	(50)	(50)
Net Assets, End of Year	$ -	$ -	$ 5,948	$ 5,948

Note 16. Functional Expenses

The System provides general health care services, both inpatient and outpatient, to patients in the Gulf South region. For the years ended December 31, 2022 and 2021, expenses related to providing these services are as follows:

December 31, 2022	Program: Adult	Program: Pediatric	Program: Medical Education	Program: Physicians Group	Program: Senior Care	Program: Pharmacy	Program: Eliminations	Program: Total	Management and General	Eliminations	Total	Fundraising	Total
Operating Expenses													
Employee Compensation and Benefits	$ 357,412	$ 163,052	$ 173,899	$ 187,703	$ 16,197	$ 194	$ (16,703)	$ 881,754	$ 200,179	$ (3,882)	$ 196,297	$ 905	$ 1,078,955
Purchased Services	89,443	30,142	11,466	11,731	4,867	4	(4,417)	143,256	276,206	(157,365)	118,841	5,252	267,355
Professional Fees	67,797	53,650	180,683	19,874	202	4	(16,588)	305,622	39,574	-	39,574	507	345,704
Supplies and Other Expenses	264,242	73,167	214,489	22,687	4,063	711	(355)	579,004	101,871	(3,804)	98,067	2,459	679,520
Depreciation and Amortization	47,939	31,209	-	1,319	2,496	42	-	83,005	72,356	(25,358)	46,998	262	130,260
Interest	345	-	35	-	242	-	-	622	38,777	(1,906)	36,871	-	37,494
	$ 827,178	$ 351,220	$ 580,592	$ 243,314	$ 28,067	$ 955	$ (38,063)	$ 1,993,263	$ 728,963	$ (192,315)	$ 536,648	$ 9,385	$ 2,539,288
Non-operating Expenses													
Community Support	$ 27,926	$ 75,312	$ 596	$ -	$ -	$ -	$ (76,221)	$ 27,613	$ 18,284	$ (2,364)	$ 15,920	$ -	$ 43,533

December 31, 2021	Program: Adult	Program: Pediatric	Program: Medical Education	Program: Physicians Group	Program: Senior Care	Program: Pharmacy	Program: Eliminations	Program: Total	Management and General	Eliminations	Total	Fundraising	Total
Operating Expenses													
Employee Compensation and Benefits	$ 305,070	$ 141,471	$ 173,467	$ 174,894	$ 13,025	$ -	$ (13,222)	$ 794,705	$ 191,300	$ (3,145)	$ 188,155	$ 868	$ 983,728
Purchased Services	89,539	29,287	9,560	13,064	3,730	-	(2,393)	142,787	262,784	(130,335)	132,449	3,164	278,400
Professional Fees	64,146	53,892	181,253	19,388	145	-	(15,359)	303,465	18,529	-	18,529	477	322,471
Supplies and Other Expenses	237,608	65,027	204,697	21,370	3,302	-	(3,039)	528,965	85,557	(2,983)	82,574	1,583	613,122
Depreciation and Amortization	44,098	22,208	-	1,245	2,070	-	-	69,621	66,862	(22,557)	44,305	193	114,119
Interest	39	-	41	1	256	-	-	337	16,433	-	16,433	-	16,770
	$ 740,500	$ 311,885	$ 569,018	$ 229,962	$ 22,528	$ -	$ (34,013)	$ 1,839,880	$ 641,465	$ (159,020)	$ 482,445	$ 6,285	$ 2,328,610
Non-operating Expenses													
Community Support	$ 10,294	$ 29,238	$ 1,080	$ -	$ -	$ -	$ (15,336)	$ 25,276	$ 2,900	$ (2,900)	$ -	$ -	$ 25,276

Notes to Consolidated Financial Statements (All amounts in Thousands)

Note 17. Fair Value of Financial Instruments

The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities approximate fair value due to their short-term nature.

Assets and liabilities measured at fair value on a recurring basis at December 31, 2022 are summarized below:

Assets	Level 1	Level 2	Level 3	Total Fair Value
Cash	$ 217,554	$ -	$ -	$ 217,554
Marketable Equity Securities	493,910	-	3,875	497,785
Corporate Bonds	-	1,038	-	1,038
Other Fixed Income Securities	227,784	-	99,008	326,792
Money Market Funds	10,447	-	-	10,447
State of Israel Bonds	-	500	-	500
Interest Rate and Basis Swaps	-	225	-	225
Investments Measured at Fair Value	949,695	1,763	102,883	1,054,341
Investments Measured at NAV [(a)]				268,474
Total Investments at Fair Value				$ 1,322,815

(a) In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy.

Assets and liabilities measured at fair value on a recurring basis at December 31, 2021 are summarized below:

Assets	Level 1	Level 2	Level 3	Total Fair Value
Marketable Equity Securities	$ 682,151	$ -	$ -	$ 682,151
Corporate Bonds	-	1,129	-	1,129
Other Fixed Income Securities	368,010	-	64,627	432,637
Money Market Funds	39,946	-	-	39,946
State of Israel Bonds	-	500	-	500
Interest Rate and Basis Swaps	-	3,779	-	3,779
Investments Measured at Fair Value	1,090,107	5,408	64,627	1,160,142
Investments Measured at NAV [(a)]				280,956
Total Investments at Fair Value				$ 1,441,098

(a) In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy.

Note 17. Fair Value of Financial Instruments (Continued)

Purchases of investments measured at fair value for which the System has used Level 3 inputs to determine fair value for the years ended December 31, 2022 and 2021, were approximately $63,700 and $27,500, respectively. There were no transfers into or out of Level 3 investments for the years ended December 31, 2022 and 2021.

The System'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:

Investments - 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. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the investment.

Interest Rate and Basis Swap Agreements - The fair values of these agreements represent the estimated amount the System would pay to terminate these agreements at the reporting date, taking into account current interest rates and credit worthiness of the counterparty and the System.

Note 18. Commitments and Contingencies

The System has certain pending and threatened litigation and claims incurred in the ordinary course of business; however, management believes that the probable resolution of such contingencies will not exceed the System's recorded reserves or insurance coverage, and will not materially affect the consolidated financial position, results of operations, changes in net assets, or cash flows of the System.

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, and reimbursement for patient services. Government activity has continued with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the System is in compliance with fraud and abuse, as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

Note 18. Commitments and Contingencies (Continued)

To ensure accurate payments to providers, the Tax Relief and Healthcare Act of 2006 mandated the Centers for Medicare & Medicaid Services (CMS) to implement so-called Recovery Audit Contractor (RAC) and Medicaid Integrity Contractor (MIC) programs on a permanent and nationwide basis. The programs use RACs and MICs to search for potentially improper Medicare and Medicaid payments that may have been made to health care providers that were not detected through existing CMS program integrity efforts. A RAC or MIC may reopen an initial determination made on a claim between one and four years from the date of the initial determination when good cause exists.

The System will deduct from revenue amounts assessed under the RAC and MIC audits after the assessment and appeals process is complete until such time that estimates of net amounts due can be reasonably estimated. RAC and MIC assessments against the System are anticipated; however, the outcome of such assessments is unknown and cannot be reasonably estimated. Management has determined RAC and MIC assessments to be insignificant to date.

Operating UMC
As mentioned in Note 1, UMCMC has assumed responsibility for operating UMC under the terms of a CEA. The UMC CEA has an initial term of five years and will automatically renew for five-year terms, unless UMCMC provides at least two hundred seventy days' advance notice of its intent not to renew. The UMC CEA may terminate prior to the expiration of its term under the following conditions: (a) upon the mutual agreement of all parties, (b) there is a change in law that has a material adverse effect on the parties, or (c) expiration of the leases discussed further within this footnote.

Separate and apart from the aforementioned conditions, the UMC CEA also provides that LCMC Health shall be allowed to withdraw as a member of UMCMC prior to the expiration of the term of the UMC CEA. LCMC Health may withdraw as a member, without cause, upon providing sixty (60) days advance written notice to LSU; however, LCMC Health must act in good faith and with full consideration of UMCMC to be financially viable and sustainable, which determination will be made by the LCMC Health Board of Trustees only after a process that provides an opportunity for consultation and input by LSU and Tulane, as well as other academic partners, provided that the process will not delay or extend the sixty (60) day period.

Note 18. Commitments and Contingencies (Continued)

Leases with UMC

With regards to the UMC CEA mentioned in Note 1, UMCMC has entered into multiple lease agreements.

Effective May 29, 2013, UMCMC entered into an Amended and Restated Master Hospital Lease Agreement with LSU for the leasing of UMC as later amended. The initial term of the UMC lease was five years which automatically renews for seven periods of five years each, unless notice of non-renewal is provided at least 270 days before the end of the then current term. The annual rent payments for leasing UMC is subject to increase annually; however, that increase is limited to no more than 5% than the rent in the previous year. The annual lease payments for UMC will be reviewed and adjusted to the Fair Market Rental Value, as defined, every twenty years.

The Amended and Restated Master Hospital Lease Agreement required UMCMC to make advance lease payments towards the facility rental. Of this total, $110,000 is a prepayment of a portion of the future UMC rent payments, excluding UMC's ambulatory care building and its garage. UMCMC will receive an annual credit of approximately $5,500 against its rent obligation for UMC, for each of the first twenty years of the UMC lease term. The remaining $143,000 represents all future rent payments for UMC's ambulatory care building and its garage. This will be amortized over the forty-year term of the UMC lease.

Payment of rent by UMCMC under the Amended and Restated Master Hospital Lease Agreement is guaranteed by LCMC Health as long as they are the sole member of UMCMC.

Effective May 29, 2013, UMCMC also entered into an Equipment Lease for an initial term of ten years with two separate and successive options to renew for a period of five years. UMCMC is responsible for lost and stolen equipment that is being leased and the cost associated with either replacing that equipment or reimbursing the lessor for the fair market value of that equipment. UMCMC has substantial reporting requirements to the Louisiana Property Assistance Agency and the State's Legislative Auditor under this equipment lease.

Rent expense under the above Amended and Restated Master Lease and Equipment Lease totaled approximately $75,600 and $74,400 for the years ended December 31, 2022 and 2021, respectively.

Notes to Consolidated Financial Statements (All amounts in Thousands)

Note 18. Commitments and Contingencies (Continued)

Leases with UMC (Continued)

In projecting minimum annual lease payments, UMCMC included a growth factor to its annual rents, calculated rent for UMC lease for only the first 20 years of its lease due to the provision of that rent being reviewed and adjusted to the Fair Market Rental Value, and included the application of the advance lease payment mentioned above.

Minimum annual rental payments, as of December 31, 2022 for the above mentioned leases, are as follows:

2023	$	71,310
2024		71,317
2025		72,017
2026		72,724
2027		73,438
Thereafter		574,178
Total	$	934,984

Operating West Jefferson

As mentioned in Note 1, West Jefferson was formed for the purpose of operating assets leased to it by the District under the terms of a CEA and a Master Hospital Lease. The WJ CEA is entered into by West Jefferson, LCMC Health, and the District and shall remain in effect for an initial term of 45 years, with an option to renew for up to two additional 15-year terms.

Capital Commitments

Through the CEA, LCMC Health is committed to expending $340,000 on capital expenditures. During the term, an aggregate of (a) $95,000 shall be expended within the first five years of the commitment period, (b) $210,000 aggregate portion shall be expended within first 10 years of the commitment period, and (c) the full amount of the commitment funds shall have been expended prior to the expiration of the commitment period. Children's guarantees to the District, to the extent necessary, that LCMC Health shall have sufficient funds to fulfill its obligations relative to this capital commitment.

LCMC exceeded its requirement of at least $95,000 in the first five years of its commitment. Through September 30, 2022, approximately $230,000 has been incurred on qualifying expenditures for capital.

Note 18. Commitments and Contingencies (Continued)

New Orleans East Hospital (NOEH)

On April 1, 2014, a CEA (NOEH CEA) was entered into between Parish Hospital Service District for Parish of Orleans dba New Orleans East Hospital (NOEH), Louisiana Children's Medical Center and Touro Infirmary. Louisiana Children's Medical Center and Touro Infirmary are collectively referred to as the Joint Parties throughout the NOEH CEA.

The NOEH CEA provides that the Joint Parties will manage and be responsible for the day-to-day operations of a 50-bed public hospital and emergency department. Touro Infirmary will serve in the primary role of managing and being responsible for the day-to-day operations of NOEH and to provide supplemental operational support for NOEH to support and enhance the continuity and viability of NOEH's operations for the citizens of Eastern New Orleans.

NOEH shall pay to the Joint Parties a fee that is comprised of annual management, revenue cycle management, and direct and indirect operating components. NOEH and the Joint Parties have agreed that operating revenues of NOEH, as defined, shall be the only source of funds for paying the fee.

The Joint Parties may terminate the NOEH CEA prior to the expiration of its term; should the accumulated and unpaid fees and operational obligations of the Joint Parties reach $12,000; the Joint Parties are relieved of performing further their operational obligations.

Through the NOEH CEA, the System has recognized revenue of approximately $2,546 and $2,640, for the years ended December 31, 2022 and 2021, respectively, which is included within other operating revenues on the System's consolidated statements of operations. At December 31, 2022 and 2021, NOEH owes the System approximately $30,730 and $26,443, respectively, for both the revenue recognized as well as direct costs incurred by the System on behalf of NOEH. This amount is included within current other receivables on the System's consolidated balance sheets.

Audubon Retirement Village

As described in Note 1, ARV executed a CEA for the operation of the Nursing Home. In conjunction with that CEA, ARV executed a lease agreement effective June 28, 2019 with LSU. The lease has an initial term of five years, with the opportunity to exercise two additional terms of five years, so that the maximum possible term of the lease is fifteen years. During the year ended December 31, 2021, the commitment to invest in capital improvements at ARV of at least $12,500 was met.

Note 18. Commitments and Contingencies (Continued)

East Jefferson General Hospital

As further described in Note 1, LCMC Health Holdings, Inc. took ownership and began operating EJGH through an asset purchase agreement by Louisiana Health Holdings, Inc. and Jefferson Parish Hospital Service District No. 2 Parish of Jefferson, State of Louisiana effective October 1, 2020. In connection with the purchase, the parties agreed on a contingent consideration payment of $15,000 over a three-year performance period, if EJGH meets certain indigent care cost measures. Also as part of the transaction, LCMC Health committed $100,000 of capital on behalf of EJGH over a five-year time period.

As of October 1, 2020, management determined that EJGH's historic performance made it probable that the payment of contingent consideration in the amount of $15,000 will be required. At December 31, 2022, $5,000 remains outstanding on this consideration and is included within Other Current Liabilities.

Through December 31, 2022, approximately $64,000, out of the required $100,000, has been incurred on qualifying expenditures for capital.

Professional and General Liability Insurance

Professional and general liability claims have been asserted against the System and are in various stages of developing. Events occurring through December 31, 2022 may result in the filing of additional claims. The System has a risk management program that provides professional and general liability coverage. Within the program, the System carries an umbrella policy for professional liability insurance coverage of $15,000 on a claims-made basis, with a self-insured retention of $1,000 each event and $5,500 in the aggregate. The umbrella policy provides an additional $15,000 in coverage on an occurrence basis for general liability insurance in excess of the same shared self-insured retention.

There are two additional excel umbrella liability policies in place that each provides a single limit of $10,000 in excess of the $15,000 limits described above. Total Umbrella Excess coverage for General and Professional Liability is $35,000.

Professional liability claims are limited through the System's participation in the Louisiana Patient's Compensation Fund (the Fund). The Fund was established through state legislation and statutorily limits each medical professional liability claim to $500. The System is self-insured for the first $100 of each claim. The remaining $400 of each claim is covered by the Fund.

Note 18. Commitments and Contingencies (Continued)

Professional and General Liability Insurance (Continued)

The System has reflected its estimate of the ultimate liability for known and incurred but not reported claims in the accompanying consolidated financial statements. The estimated liability for professional liability claims, which was discounted at 2% at December 31, 2022 and 2021, respectively, was approximately $30,300 and $28,300. The current portion at December 31, 2022 and 2021 was approximately $12,900 and $11,000, respectively, and is included in other current liabilities. Undiscounted professional liability claims totaled approximately $31,000 and $30,000 at December 31, 2022 and 2021, respectively.

Estimated Employee Health and Workers' Compensation Claims

LCMC Health and its subsidiaries are covered under one health plan. The medical plan is self-insured up to $750 for non-domestic claims and fully self-insured for domestic claims. LCMC Health, Children's, Touro, West Jefferson, UMCMC, EJGH, and NOPS are self-insured for workers' compensation claims up to $800.

The System has a risk management program that provides excess coverage for non-domestic employee health claims and both domestic and non-domestic workers' compensation claims on an occurrence basis.

The estimated liability for workers' compensation claims, discounted at 2%, and employee health claims at December 31, 2022 and 2021, respectively, was approximately $19,640 and $19,184. The current portion of workers' compensation claims and employee health claims at December 31, 2022 and 2021 was $11,500 and $11,000, respectively, and is included in other current liabilities.

Undiscounted workers' compensation claims totaled approximately $14,000 and $13,800 at December 31, 2022 and 2021, respectively. Due to the short-term nature of the employee health claims liabilities, their fair value approximates the carrying value.

Energy Asset Commitments

LCMC Health, with Children's, Touro and its affiliate Woldenberg, West Jefferson, UMCMC, EJGH, and ARV executed certain agreements with Bernhard Energy, LLC, together with its special purpose entity, Crescent City Energy Partners, LLC, (collectively, Bernhard) with detailed unconditional purchase obligations to Bernhard for energy optimization and design/build improvements, and also for thermal service charges comprised of capacity charges and both energy and non-energy asset operations and maintenance charges.

Notes to Consolidated Financial Statements (All amounts in Thousands)

Note 18. Commitments and Contingencies (Continued)

Energy Asset Commitments (Continued)
On March 26, 2021, LCMC Health closed on the long-term transaction with Bernhard for the energy improvements, system upgrades and energy services for the campuses of the entities described in the previous paragraph through individual energy concession agreements and other contracts. The terms of the agreements are 15 years and expire in March 2036. Depending on the type of an event of termination, termination fees may be owed, if early termination occurs.

In consideration for entering into these agreements, Bernhard paid LCMC Health's participating entities a sum total of approximately $177,000. Additionally, the participating entities made payments of approximately $59,600 to Bernhard on the closing date for Energy Optimization Services. The transaction resulted in net cash proceeds to the participating entities of approximately $117,400.

The concession services agreements specify responsibilities and obligations of Bernhard, LCMC Health, and the participating entities for the grant to Bernhard of rights over certain energy-related assets. In connection, Bernhard has guaranteed certain energy cost savings.

LCMC Health and Children's Hospital have guaranteed certain payments to be made to Bernhard by the participating entities over the life of the agreement. For the years ended December 31, 2022 and 2021, the expenses associated totaled approximately $19,455 and $12,242, respectively.

As of December 31, 2022, the total of the fixed and determinable payments to be paid to Bernhard are as follows:

Year Ending December 31,	Amount
2023	$ 24,734
2024	26,352
2025	27,031
2026	27,728
2027	28,443
Thereafter	264,405
Total	$ 398,693

Note 19. Community Support

In furtherance of its charitable purpose, the System provides a broad range of community programs that are designed to meet the health needs of the community and are funded and resourced by the System. The System's Governing Board and hospital management teams work closely with local civic leaders and other healthcare providers to address the health care needs of the community.

Such community support programs include health seminars on a variety of health topics that are relevant to the health needs of the community including healthy eating, diabetes management, healthy aging, cancer support and survivorship, sexual abuse awareness, and smoking cessation. Other programs include benefits to the community such as health screenings, in-home caregiver services, counseling for patients and families, pastoral care, health enhancement and wellness programs, telephone information services, and the donation of space for use by community groups. The System also has a robust trauma prevention program including but not limited to, tourniquet training, Sudden Impact (targeting high school students), safety belt programs, and baby carrier programs.

The System provides benefits to Medicaid patients in the form of uncompensated patient care costs. The System also emphasizes the importance of higher education and funds the teaching of students and health professionals through a comprehensive graduate medical education program.

Certain community support programs' revenues and expenses are excluded from operations and are shown, net, as community support on the consolidated statements of operations. This classification is driven by the magnitude of the programs and the knowledge that these programs are solely for the benefit of the community, not self-supporting or financially viable, and not a part of the System's operations. These programs, which are primarily pediatric centered, include the following: Children's Healthcare Assistance Plan (CHAP), Kids First physician practices, Children At Risk Evaluation (CARE) Center, Children's Research Institute, Limited Intervention Program, the Parenting Center, Ventilator Assisted Care Program, Safe Kids Coalition, Greater New Orleans Immunization Network, Ambulatory Clinical and Nutritional Support Services, the Miracle League, Cochlear Implant Program, and Autism Center. CHAP, one of the largest of these programs, is designed to assist families with income too high to qualify for Medicaid, but whose lack of resources limit their access to quality health care. In addition to CHAP, CHMPC increases the accessibility of health care to the indigent and underinsured through its Kids First pediatric primary care physician practices.

Notes to Consolidated Financial Statements (All amounts in Thousands)

Note 19. Community Support (Continued)

The revenues and expenses associated with these programs for the year ended December 31, 2022 are detailed as follows:

2022	Research Institute	CHAP	CARE Center	Behavioral Health	LSU Research	LHCS	NOCS	Other	Total
Patient Revenues	$ -	$ 21,703	$ 982	$ 1,341		$ 6,158		$ 8,865	$ 39,049
Revenue Deductions	-	(21,703)	(728)	(1,080)		(2,761)		(5,967)	(32,239)
Other Revenues	223	-	291	162		100		3,270	4,046
Total Revenues	223	-	545	423	-	3,497	-	6,168	10,856
Total Expenses	957	5,148	1,970	1,698	15,919	3,341	2,453	22,903	54,389
Community Support, Net	$ (734)	$ (5,148)	$ (1,425)	$ (1,275)	$ (15,919)	$ 156	$ (2,453)	$ (16,735)	$ (43,533)

The revenues and expenses associated with these programs for the year ended December 31, 2021 are detailed as follows:

2021	Research Institute	CHAP	CARE Center	Behavioral Health	LSU Research	LHCS	NOCS	Other	Total
Patient Revenues	$ -	$ 14,815	$ 1,395	$ 1,059	$ -	$ 6,549	$ -	$ 11,476	$ 35,294
Revenue Deductions	-	(14,815)	(1,034)	(843)	-	(4,696)	-	(8,305)	(29,693)
Other Revenues	272	-	365	172	-	105	-	2,583	3,497
Total Revenues	272	-	726	388	-	1,958	-	5,754	9,098
Total Expenses	1,615	3,575	2,003	2,068	2,116	3,618	970	18,409	34,374
Community Support, Net	$ (1,343)	$ (3,575)	$ (1,277)	$ (1,680)	$ (2,116)	$ (1,660)	$ (970)	$ (12,655)	$ (25,276)

The expenses presented in the tables above, include direct expenses and an allocation of indirect expenses as follows:

	2022	2021
Direct Expenses	$ 46,527	$ 27,600
Indirect Expenses	7,862	6,774
Total Expenses	$ 54,389	$ 34,374

Indirect expenses represent estimates of patient care cost and allocated overhead using Medicare cost reporting methodologies.

Notes to Consolidated Financial Statements (All amounts in Thousands)

Note 20. Liquidity and Availability

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

Cash and Cash Equivalents	$	80,093
Patient Receivables, Net		249,509
Other Receivables		170,498
Board Designated Assets Limited as to Use		1,084,692
Total	$	1,584,792

Note 21. Contributions of Nonfinancial Assets

During the year ended December 31, 2022, the System's operations were supported by laborers provided by the State of Louisiana, at no cost to the System. In accordance with ASU 2020-07, the System has recorded the contribution of these nonfinancial assets as a separate component of operating revenue. These contributions were valued at a total of approximately $33,159 by using market rates for contract labor.

Note 22. Subsequent Events

Management evaluated subsequent events through the date the consolidated financial statements were available to be issued, May 18, 2023, and determined that the following events requires disclosure.

Effective January 1, 2023, the System acquired a health system operating within the Greater New Orleans area. The System issued the 2022 Series Bonds that are included within Note 10 to fund the acquisition as well as the costs of the issuance of the Series 2022 Bonds. At December 31, 2022, the System had approximately $217,600 of Assets Limited as to Use that are related to the acquisition

Effective March 15, 2023, the System entered into a Credit Agreement allowing them to borrow $150 million through a twelve month term loan. This credit facility may be prepaid at any time prior to maturity without penalty.

No other subsequent events occurring after May 18, 2023 have been evaluated for inclusion in these consolidated financial statements.

SUPPLEMENTARY INFORMATION

LOUISIANA CHILDREN'S MEDICAL CENTER
Consolidating Balance Sheet
December 31, 2022 (in Thousands)

	LCMC	Touro	Children's	UMCMC	West Jefferson	EJGH	Other	Eliminations	Consolidated
Assets									
Current Assets									
Cash and Cash Equivalents	$ 5,203	$ 18,228	$ 40,048	$ 11,645	$ 3,396	$ (5,989)	$ 7,562	$ -	$ 80,093
Assets Limited as to Use	176,392	485	-	-	-	-	-	-	176,877
Patient Accounts Receivable	2,887	32,459	43,410	72,675	42,089	53,607	3,496	(1,114)	249,509
Other Receivables	19,425	16,644	27,625	91,426	9,512	4,153	3,988	(2,275)	170,498
Inventories	1,569	7,211	8,934	12,565	7,078	10,863	791	-	49,011
Estimated Third-Party Payor Settlements	-	-	-	-	-	-	-	-	-
Prepaid Expenses and Other	23,875	3,033	4,005	30,185	6,857	3,442	712	-	72,109
Due from Related Parties	235,563	73,679	-	-	-	-	(440)	(308,802)	-
Total Current Assets	464,914	151,739	124,022	218,496	68,932	66,076	16,109	(312,191)	798,097
Assets Limited as to Use									
Investments Designated for Capital Projects and Specific Programs	-	69,840	1,014,852	-	-	-	-	-	1,084,692
Restricted by Bond Indenture, Debt Service Reserve	41,162	2,835	33	-	-	-	-	-	44,030
Donor-Restricted Long-Term Investments	-	10,789	4,143	-	-	-	-	-	14,932
Restricted Other	176,500	30	-	-	-	-	-	-	176,530
Less: Amount Required for Current Obligations	(176,392)	(485)	-	-	-	-	-	-	(176,877)
Assets Limited as to Use, Net	41,270	83,009	1,019,028	-	-	-	-	-	1,143,307
Investments in Joint Ventures	-	45,345	-	-	545	-	-	-	45,890
Long-Term Portion Prepaid Leases	-	-	-	195,585	163,333	-	-	-	358,918
Property, Plant, and Equipment, Net	313,606	156,392	406,050	87,384	151,146	455	17,452	-	1,132,485
Due from Related Party	-	-	-	-	-	-	-	-	-
Finance Lease Assets	-	-	-	-	3,882	-	10,494	-	14,376
Other Assets	38,258	5,315	20,948	1,110	4,445	6,960	896	-	77,932
Investments in Subsidiaries	1,733,864	-	-	-	-	-	-	(1,733,864)	-
Total Assets	$ 2,591,913	$ 441,800	$ 1,570,048	$ 502,576	$ 392,283	$ 73,498	$ 44,951	$ (2,046,055)	$ 3,571,005

See independent auditor's report.

LOUISIANA CHILDREN'S MEDICAL CENTER
Consolidating Balance Sheet (Continued)
December 31, 2022 (in Thousands)

	LCMC	Touro	Children's	UMCMC	West Jefferson	EJGH	Other	Eliminations	Consolidated
Liabilities and Net Assets									
Current Liabilities									
Trade Accounts Payable	$ 27,124	$ 22,446	$ 46,335	$ 95,262	$ 24,003	$ 23,711	$ 6,912	$ (3,392)	$ 242,401
Accrued Salaries and Benefits	8,584	13,512	21,443	14,300	10,050	9,274	5,537	-	82,700
Medicare Advance Payments	-	2,728	210	-	3,242	-	-	-	6,180
Estimated Third-Party Payor Settlements	-	7,471	(11,859)	55,711	5,947	2,678	166	-	60,114
Due to Related Parties	-	9,399	(342,111)	245,855	361,073	13,939	18,116	(306,271)	-
Deferred Revenue	165	4,046	3,875	331	835	4,840	21	-	14,113
Line of Credit	100,000	-	-	-	-	-	-	-	100,000
Current Finance Lease Liabilities	-	-	-	-	1,756	-	638	-	2,394
Other Current Liabilities	11,781	7,352	6,634	13,565	5,542	7,718	636	-	53,228
Total Current Liabilities	147,654	66,954	(275,473)	425,024	412,448	62,160	32,026	(309,663)	561,130
Bonds Payable, Net of Current Portion	720,805	33,653	-	253,135	-	-	-	-	1,007,593
Notes Payable	-	-	-	28,000	-	-	-	-	28,000
Due to Related Parties	-	-	-	-	-	-	2,531	(2,531)	-
Finance Lease Liabilities	-	-	-	-	956	-	10,624	-	11,580
Deferred Revenue, Net of Current Portion	-	49,850	46,166	4,053	9,735	59,287	260	-	169,351
Other Long-Term Liabilities	34,340	14,566	20,369	6,664	8,176	9,479	1,574	-	95,168
Total Liabilities	902,799	165,023	(208,938)	716,876	431,315	130,926	47,015	(312,194)	1,872,822
Noncontrolling Interest	-	560	-	-	-	857	-	-	1,417
Net Assets									
Without Donor Restrictions	1,689,026	266,462	1,774,843	(214,301)	(39,032)	(58,292)	(2,064)	(1,733,861)	1,682,781
With Donor Restrictions									
Purpose Restrictions	87	3,988	3,957	-	-	-	-	-	8,032
Perpetual in Nature	-	5,767	186	-	-	-	-	-	5,953
Total Net Assets	1,689,113	276,217	1,778,986	(214,301)	(39,032)	(58,292)	(2,064)	(1,733,861)	1,696,766
Total Liabilities and Net Assets	$ 2,591,913	$ 441,800	$ 1,570,048	$ 502,576	$ 392,283	$ 73,498	$ 44,951	$ (2,046,055)	$ 3,571,005

See independent auditor's report.

LOUISIANA CHILDREN'S MEDICAL CENTER
Consolidating Balance Sheet
December 31, 2021 (in Thousands)

	LCMC	Touro	Children's	UMCMC	West Jefferson	EJGH	Other	Eliminations	Consolidated
Assets									
Current Assets									
Cash and Cash Equivalents	$ 40,738	$ 39,957	$ 24,009	$ 59,744	$ 2,578	$ 5,209	$ 3,745	$ -	$ 175,980
Assets Limited as to Use	-	973	-	-	-	-	-	-	973
Patient Accounts Receivable	1,594	32,771	40,105	70,619	35,645	38,957	2,310	(1,280)	220,721
Other Receivables	13,906	31,524	85,541	49,503	21,077	10,222	3,086	(1,161)	213,698
Inventories	3,248	6,844	7,576	12,992	7,199	10,049	-	-	47,908
Estimated Third-Party Payor Settlements	-	-	9,264	-	-	-	-	(9,264)	-
Prepaid Expenses and Other	7,636	3,467	4,838	31,214	7,521	4,849	606	-	60,131
Due from Related Parties	48,566	43,660	76,341	-	191	-	8,507	(177,265)	-
Total Current Assets	115,688	159,196	247,674	224,072	74,211	69,286	18,254	(188,970)	719,411
Assets Limited as to Use									
Investments Designated for Capital Projects and Specific Programs	-	81,101	1,334,118	-	-	-	-	-	1,415,219
Restricted by Bond Indenture, Debt Service Reserve	-	3,294	-	-	-	-	-	-	3,294
Donor-Restricted Long-Term Investments	-	12,655	3,139	-	-	-	-	-	15,794
Restricted Other	112	35	33	-	-	-	-	-	180
Less: Amount Required for Current Obligations	-	(973)	-	-	-	-	-	-	(973)
Assets Limited as to Use, Net	112	96,112	1,337,290	-	-	-	-	-	1,433,514
Investments in Joint Ventures	-	44,779	-	-	757	-	-	-	45,536
Long-Term Portion Prepaid Leases	-	-	-	205,634	167,778	-	-	-	373,412
Property, Plant, and Equipment, Net	120,815	121,658	405,366	84,109	120,999	156,182	15,993	-	1,025,122
Due from Related Party	550,676	39,546	71,026	-	1,051	19,694	-	(681,993)	-
Finance Lease Assets	-	-	-	-	3,266	-	11,381	-	14,647
Other Assets	39,854	18,540	26,964	2,281	8,585	18,796	1,434	-	116,454
Investments in Subsidiaries	1,990,461	-	-	-	-	-	-	(1,990,461)	-
Total Assets	$ 2,817,606	$ 479,831	$ 2,088,320	$ 516,096	$ 376,647	$ 263,958	$ 47,062	$ (2,861,424)	$ 3,728,096

See independent auditor's report.

LOUISIANA CHILDREN'S MEDICAL CENTER
Consolidating Balance Sheet (Continued)
December 31, 2021 (in Thousands)

	LCMC	Touro	Children's	UMCMC	West Jefferson	EJGH	Other	Eliminations	Consolidated
Liabilities and Net Assets									
Current Liabilities									
Trade Accounts Payable	$ 22,572	$ 23,487	$ 48,479	$ 77,021	$ 27,465	$ 25,950	$ 3,047	$ (2,295)	$ 225,726
Accrued Salaries and Benefits	8,809	16,110	19,729	17,349	11,272	11,652	4,706	-	89,627
Medicare Advance Payments	-	17,237	455	46,247	17,041	18,279	148	-	99,407
Estimated Third-Party Payor Settlements	-	7,904	-	71,860	3,538	1,864	189	(9,264)	76,091
Due to Related Parties	104,913	2,701	4,700	57,458	1,847	330	5,501	(177,450)	-
Deferred Revenue	1,540	2,961	4,175	331	794	3,980	302	-	14,083
Line of Credit	50,000	-	-	-	-	-	-	-	50,000
Current Finance Lease Liabilities	-	-	-	-	-	-	-	-	-
Other Current Liabilities	4,473	9,665	7,176	12,788	8,355	13,189	963	-	56,609
Total Current Liabilities	192,307	80,065	84,714	283,054	70,312	75,244	14,856	(189,009)	611,543
Bonds Payable, Net of Current Portion	522,251	36,798	-	253,050	-	-	-	-	812,099
Notes Payable	-	-	-	28,000	-	-	-	-	28,000
Due to Related Parties	92,268	-	1,291	154,875	309,894	103,919	19,707	(681,954)	-
Finance Lease Liabilities	-	-	-	-	2,078	-	11,262	-	13,340
Deferred Revenue, Net of Current Portion	-	40,871	49,088	4,384	10,530	63,046	-	-	167,919
Other Long-Term Liabilities	37,292	18,110	21,995	6,361	9,606	10,969	1,626	-	105,959
Total Liabilities	844,118	175,844	157,088	729,724	402,420	253,178	47,451	(870,963)	1,738,860
Noncontrolling Interest	-	653	-	-	-	504	-	-	1,157
Net Assets									
Without Donor Restrictions	1,973,401	291,882	1,928,093	(213,628)	(25,773)	10,276	(389)	(1,990,461)	1,973,401
With Donor Restrictions									
Purpose Restrictions	87	5,690	2,953	-	-	-	-	-	8,730
Perpetual in Nature	-	5,762	186	-	-	-	-	-	5,948
Total Net Assets	1,973,488	303,334	1,931,232	(213,628)	(25,773)	10,276	(389)	(1,990,461)	1,988,079
Total Liabilities and Net Assets	$ 2,817,606	$ 479,831	$ 2,088,320	$ 516,096	$ 376,647	$ 263,958	$ 47,062	$ (2,861,424)	$ 3,728,096

See independent auditor's report.

LOUISIANA CHILDREN'S MEDICAL CENTER
Consolidating Statement of Operations
For the Year Ended December 31, 2022 (in Thousands)

	LCMC	Touro	Children's	UMCMC	West Jefferson	EJGH	Other	Eliminations	Consolidated
Unrestricted Revenues, Gains, and Other Support									
Net Patient Service Revenues	$ -	$ 379,658	$ 522,044	$ 671,313	$ 325,141	$ 342,887	$ 43,667	$ (22,728)	$ 2,261,982
Other Operating Revenues	200,269	28,270	29,829	139,889	28,550	17,218	26,738	(286,227)	184,536
Contributions of Nonfinancial Assets	-	-	9,536	10,413	4,320	8,890	-	-	33,159
Net Assets Released from Restrictions	-	708	-	-	-	-	-	-	708
Total Operating Revenues	200,269	408,636	561,409	821,615	358,011	368,995	70,405	(308,955)	2,480,385
Operating Expenses									
Employee Compensation and Benefits	83,958	188,847	198,409	231,378	152,601	189,794	54,553	(20,585)	1,078,955
Purchased Services	45,309	63,451	76,355	103,751	63,062	70,742	6,473	(161,788)	267,355
Professional Fees	31,238	19,978	61,087	181,810	33,465	29,236	5,481	(16,591)	345,704
Supplies and Other Expenses	22,057	104,263	86,182	252,184	93,755	121,518	3,710	(4,149)	679,520
Depreciation and Amortization	25,358	20,428	34,239	29,967	19,442	24,560	1,628	(25,362)	130,260
Interest Expense (Income)	1,906	1,081	5,332	22,527	7,986	325	242	(1,905)	37,494
Total Operating Expenses	209,826	398,048	461,604	821,617	370,311	436,175	72,087	(230,380)	2,539,288
(Loss) Income from Operations	(9,557)	10,588	99,805	(2)	(12,300)	(67,180)	(1,682)	(78,575)	(58,903)
Investment (Loss) Income	(78)	(11,401)	(177,494)	-	(85)	-	-	-	(189,058)
Other Nonoperating (Expense) Income	134	(349)	(246)	(75)	31	183	7	-	(315)
Equity in Earnings of Subsidiaries	(256,590)	-	-	-	-	-	-	256,590	-
Community Support, Net	(18,284)	(25,098)	(75,312)	(596)	(905)	(1,923)	-	78,585	(43,533)
(Deficit) Excess of Revenues over Expenses	$ (284,375)	$ (26,260)	$ (153,247)	$ (673)	$ (13,259)	$ (68,920)	$ (1,675)	$ 256,600	$ (291,809)

See independent auditor's report.

LOUISIANA CHILDREN'S MEDICAL CENTER
Consolidating Statement of Operations
For the Year Ended December 31, 2021 (in Thousands)

	LCMC	Touro	Children's	UMCMC	West Jefferson	EJGH	Other	Eliminations	Consolidated
Unrestricted Revenues, Gains, and Other Support									
Net Patient Service Revenues	$ -	$ 331,249	$ 395,341	$ 668,966	$ 312,098	$ 325,442	$ 32,870	$ (18,253)	$ 2,047,713
Other Operating Revenues	166,803	33,882	23,786	126,471	31,417	26,883	23,640	(193,016)	239,866
Net Assets Released from Restrictions	-	549	-	-	-	-			549
Total Operating Revenues	166,803	365,680	419,127	795,437	343,515	352,325	56,510	(211,269)	2,288,128
Operating Expenses									
Employee Compensation and Benefits	74,911	176,361	171,879	220,416	135,876	176,072	44,580	(16,367)	983,728
Purchased Services	36,545	59,882	66,550	100,552	65,299	76,739	5,561	(132,728)	278,400
Professional Fees	13,492	18,759	58,019	182,503	32,137	28,460	4,460	(15,359)	322,471
Supplies and Other Expenses	21,069	91,690	75,208	241,958	87,528	99,598	2,093	(6,022)	613,122
Depreciation and Amortization	22,557	20,784	24,554	29,374	17,964	20,258	1,185	(22,557)	114,119
Interest Expense (Income)	(115)	372	(12,918)	22,360	6,808	7	256	-	16,770
Total Operating Expenses	168,459	367,848	383,292	797,163	345,612	401,134	58,135	(193,033)	2,328,610
(Loss) Income from Operations	(1,656)	(2,168)	35,835	(1,726)	(2,097)	(48,809)	(1,625)	(18,236)	(40,482)
Investment Income (Loss)	(45)	6,481	104,047	-	520	-	-	-	111,003
Other Nonoperating (Expense) Income	-	(344)	(35)	(361)	341	(3,188)	-	-	(3,587)
Equity in Earnings of Subsidiaries	47,459	-	-	-	-	-	-	(47,459)	-
Community Support, Net	(2,900)	(7,666)	(29,238)	(1,080)	(1,005)	(1,623)	-	18,236	(25,276)
Excess (Deficit) of Revenues over Expenses	$ 42,858	$ (3,697)	$ 110,609	$ (3,167)	$ (2,241)	$ (53,620)	$ (1,625)	$ (47,459)	$ 41,658

See independent auditor's report.

LOUISIANA CHILDREN'S MEDICAL CENTER
Consolidating Statement of Changes in Net Assets
For the Year Ended December 31, 2022 (in Thousands)

	LCMC	Touro	Children's	UMCMC	West Jefferson	EJGH	Other	Eliminations	Consolidated
Changes in Net Assets Without Donor Restrictions									
(Deficit) Excess of Revenues over Expenses	$ (284,375)	$ (26,260)	$ (153,247)	$ (673)	$ (13,259)	$ (68,920)	$ (1,675)	$ 256,600	$ (291,809)
Deficit (Excess) of Revenues over Expenses Attributable								-	
to Noncontrolling Interests	-	(93)	-	-	-	352	-	-	259
Adjustment to Additional Minimum Pension Liability	-	970	-	-	-	-	-	-	970
Ownership Revisions	-	(37)	-	-	-	-	-	-	(37)
(Decrease) Increase in Net Assets Without Donor Restrictions	(284,375)	(25,420)	(153,247)	(673)	(13,259)	(68,568)	(1,675)	256,600	(290,617)
Changes in Net Assets With Donor Restrictions									
Contributions and Grants	-	961	3,412	-	-	-	-	-	4,373
Investment (Loss) Income	-	(1,686)	-	-	-	-	-	-	(1,686)
Net Assets Released from Restrictions	-	(972)	(2,411)	-	-	-	-	-	(3,383)
(Decrease) Increase in Net Assets With Donor Restrictions	-	(1,697)	1,001	-	-	-	-	-	(696)
(Decrease) Increase in Net Assets	(284,375)	(27,117)	(152,246)	(673)	(13,259)	(68,568)	(1,675)	256,600	(291,313)
Net Assets, Beginning of Year	1,973,488	303,334	1,931,232	(213,628)	(25,773)	10,276	(389)	(1,990,461)	1,988,079
Net Assets, End of Year	$ 1,689,113	$ 276,217	$ 1,778,986	$ (214,301)	$ (39,032)	$ (58,292)	$ (2,064)	$ (1,733,861)	$ 1,696,766

See independent auditor's report.

LOUISIANA CHILDREN'S MEDICAL CENTER
Consolidating Statement of Changes in Net Assets
For the Year Ended December 31, 2021 (in Thousands)

	LCMC	Touro	Children's	UMCMC	West Jefferson	EJGH	Other	Eliminations	Consolidated
Changes in Net Assets Without Donor Restrictions									
Excess (Deficit) of Revenues over Expenses	$ 42,858	$ (3,697)	$ 110,609	$ (3,167)	$ (2,241)	$ (53,620)	$ (1,625)	$ (47,459)	$ 41,658
Excess (Deficit) of Revenues over Expenses Attributable to Noncontrolling Interests	-	(113)	-	-	-	(504)	-	-	(617)
Adjustment to Additional Minimum Pension Liability	-	1,817	-	-	-	-	-	-	1,817
Contribution of Right of Use Designated Equipment	-	-	-	-	-	-	-	-	-
Increase (Decrease) in Net Assets Without Donor Restrictions	42,858	(1,993)	110,609	(3,167)	(2,241)	(54,124)	(1,625)	(47,459)	42,858
Changes in Net Assets With Donor Restrictions									
Contributions and Grants	70	342	3,567	-	-	-	-	-	3,979
Investment Income	-	971	-	-	-	-	-	-	971
Net Assets Released from Restrictions	(38)	(978)	(2,628)	-	-	-	-	-	(3,644)
(Decrease) Increase in Net Assets With Donor Restrictions	32	335	939	-	-	-	-	-	1,306
Increase (Decrease) in Net Assets	42,890	(1,658)	111,548	(3,167)	(2,241)	(54,124)	(1,625)	(47,459)	44,164
Net Assets, Beginning of Year	1,930,598	304,992	1,819,684	(210,461)	(23,532)	64,400	1,236	(1,943,002)	1,943,915
Net Assets, End of Year	$ 1,973,488	$ 303,334	$ 1,931,232	$ (213,628)	$ (25,773)	$ 10,276	$ (389)	$ (1,990,461)	$ 1,988,079

See independent auditor's report.

LOUISIANA CHILDREN'S MEDICAL CENTER

Schedule of Compensation, Benefits, and Other Payments to Agency Hear
For the Year Ended December 31, 2022

Agency Head
Greg Feirn, CEO

Purpose	**Amount**
Salary	$0
Benefits-Insurance	$0
Benefits-Retirement	$0
Deferred Compensation (CAA)	$0
Benefits-Executive Incentive	$0
Benefits-Administrative Retention	$0
Benefits-Vacation Payout	$0
Car Allowance	$0
Vehicle Provided by Government	$0
Cell Phone	$0
Dues	$0
Vehicle Rental	$0
Per Diem	$0
Reimbursements	$0
Travel	$0
Registration Fees	$0
Conference Travel	$0
Housing	$0
Unvouchered Expenses	$0
Special Meals	$0
Other	$0

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

See independent auditor's report.

LAPORTE
CPAs & BUSINESS ADVISORS

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

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

Independent Auditor's Report

To the Governing Board of Trustees
Louisiana Children's Medical Center
New Orleans, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Louisiana Children's Medical Center (a nonprofit organization) (the System), which comprise the consolidated balance sheet as of December 31, 2022, and the related consolidated statement of operations, changes in net assets, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated May 18, 2023.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of the 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 over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters
As part of obtaining reasonable assurance about whether the System'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 financial statement. 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 and opinion on the effectiveness of the System's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental 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 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

LaPorte

A Professional Accounting Corporation

Metairie, LA
May 18, 2023

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

AGREED-UPON PROCEDURES REPORT
Louisiana Children's Medical Center

Independent Accountant's Report
On Applying Agreed-Upon Procedures

For the Period January 1, 2022 - December 31, 2022

Governing Board of Trustees
Louisiana Children's Medical Center
and Louisiana Legislative Auditor:

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2022 through December 31, 2022. Louisiana Children's Medical Center's (LCMC Health) management is responsible for those C/C areas identified in the SAUPs.

LCMC Health has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in the LLA's SAUPs for the fiscal period January 1, 2022 through December 31, 2022. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and results are as follows:

1) Written Policies and Procedures

A. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:

i) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.

ii) ***Purchasing***, including (1) how purchases are initiated, (2) how vendors are added to the vendor list, (3) the preparation and approval process of purchase requisitions and purchase orders, (4) controls to ensure compliance with the Public Bid Law, and (5) documentation required to be maintained for all bids and price quotes.

iii) ***Disbursements***, including processing, reviewing, and approving.

iv) ***Receipts/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

v) ***Payroll/Personnel***, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee rates of pay or approval and maintenance of pay rate schedules.

vi) ***Contracting***, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

vii) ***Travel and Expense Reimbursement***, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

viii) ***Credit Cards (and debit cards, fuel cards, purchase cards, if applicable)***, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).

ix) ***Ethics***, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.

x) ***Debt Service***, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

xi) ***Information Technology Disaster Recovery/Business Continuity***, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

xii) ***Prevention of Sexual Harassment***, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Results: The applicable policies of LCMC health address all of the functions listed.

2) Board or Finance Committee

A. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

   i. Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

   ii. For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds. *Alternatively, for those entities reporting on the not-for-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

   iii. For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

   iv. Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

Results: Procedure 2.A.iii. is not applicable as LCMC Health is a nonprofit entity. No exceptions were found as a result of procedures 2.A.i., 2.A.ii. and 2.A.iv.

3) Bank Reconciliations

A. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:

   i. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);

   ii. Bank reconciliations include written evidence that a member of management or a board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

iii. Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Results: No exceptions were found as a result of these procedures.

4) Collections (excluding electronic funds transfers)

A. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

B. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (e.g., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if there are no written policies or procedures, then inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

   i. Employees responsible for cash collections do not share cash drawers/registers;

   ii. Each employee responsible for collecting cash is not also responsible for preparing/ making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit;

   iii. Each employee responsible for collecting cash is not also responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/ official is responsible for reconciling ledger postings to each other and to the deposit; and

   iv. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, is (are) not also responsible for collecting cash, unless another employee/official verifies the reconciliation.

C. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe that the bond or insurance policy for theft was in force during the fiscal period.

D. Randomly select two deposit dates for each of the 5 bank accounts selected for Bank Reconciliations procedure #3A (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternatively, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits, and:

   i. Observe that receipts are sequentially pre-numbered.

   ii. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

iii. Trace the deposit slip total to the actual deposit per the bank statement.

iv. Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than $100 and the cash is stored securely in a locked safe or drawer).

v. Trace the actual deposit per the bank statement to the general ledger.

This section is not applicable. All public funds are received via electronic funds transfer.

5) Non-Payroll Disbursements (excluding card purchases, travel reimbursements, and petty cash purchases)

A. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

B. For each location selected under procedure #5A above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, then inquire of employees about their job duties), and observe that job duties are properly segregated such that:

i) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order or making the purchase;

ii) At least two employees are involved in processing and approving payments to vendors;

iii) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files;

iv) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments; and

v) Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.

[Note: Findings related to controls that constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality) should not be reported.]

C. For each location selected under procedure #5A above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and:

i. Observe whether the disbursement, whether by paper or electronic means, matched the related original itemized invoice and supporting documentation indicates that deliverables included on the invoice were received by the entity, and

ii. Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under procedure #5B above, as applicable.

D. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3A, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements.

Results: No exceptions were found as a result of these procedures.

6) Credit Cards/Debit Cards/Fuel Cards/Purchase Cards (Cards)

A. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and purchase cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

B. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement). Obtain supporting documentation, and

i) Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved) by someone other than the authorized card holder (those instances requiring such approval that may constrain the legal authority of certain public officials, such as the mayor of a Lawrason Act municipality, should not be reported); and

ii) Observe that finance charges and late fees were not assessed on the selected statements.

C. Using the monthly statements or combined statements selected under procedure #6B above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (e.g., each card should have 10 transactions subject to inspection). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and observe whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

This section is not applicable. There are no public funds being disbursed through the usage of credit cards/debit cards/fuel cards/P-cards.

7) Travel and Travel-Related Expense Reimbursements (excluding card transactions)

A. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements and obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

   i. If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov);

   ii. If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased;

   iii. Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by Written Policies and Procedures procedure #1A(vii); and

   iv. Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

   Results: No exceptions were found as a result of these procedures.

8) Contracts

A. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternatively, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

   i. Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law;

   ii. Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter);

   iii. If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, the documented approval); and

   iv. Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

   Results: Procedure 8.A.i. is not applicable as LCMC health is a nonprofit entity. No exceptions were found as a result of procedures 8.A.ii., iii., and iv.

9) Payroll and Personnel

A. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

B. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under procedure #9A above, obtain attendance records and leave documentation for the pay period, and:

   i. Observe that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory);

   ii. Observe whether supervisors approved the attendance and leave of the selected employees or officials;

   iii. Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records; and

   iv. Observe whether the rate paid to the employees or officials agrees to the authorized salary/pay rate found within the personnel file.

C. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials and obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee's or official's cumulative leave records, agree the pay rates to the employee's or official's authorized pay rates in the employee's or official's personnel files, and agree the termination payment to entity policy.

D. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

   <u>Results</u>: No exceptions were found as a result of these procedures.

10) Ethics

A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A obtain ethics documentation from management, and:

   i. Observe whether the documentation demonstrates that each employee/official completed one hour of ethics training during the calendar year as required by R.S. 42:1170; and

   ii. Observe whether the entity maintains documentation which demonstrates that each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

B. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.

This section is not applicable to LCMC Health as it is a nonprofit entity.

11) Debt Service

A. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each debt instrument issued as required by Article VII, Section 8 of the Louisiana Constitution.

B. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

This section is not applicable to LCMC Health as it is a nonprofit entity.

12) Fraud Notice

A. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the Legislative Auditor and the district attorney of the parish in which the entity is domiciled as required by R.S. 24:523.

B. Observe that the entity has posted, on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Results: No exceptions were found as a result of these procedures.

13) Information Technology Disaster Recovery/Business Continuity

A. Perform the following procedures:

i. Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if there is no written documentation, then inquire of personnel responsible for backing up critical data) and observe evidence that such backup (a) occurred within the past week, (b) was not stored on the government's local server or network, and (c) was encrypted.

ii. Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if there is no written documentation, then inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.

iii. Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

B. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in procedure #9C. Observe evidence that the selected terminated employees have been removed or disabled from the network.

Results: We performed the procedure and discussed the results with management.

14) Prevention of Sexual Harassment

A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year as required by R.S. 42:343.

B. Observe that the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).

C. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1st, and observe that the report includes the applicable requirements of R.S. 42:344:

i. Number and percentage of public servants in the agency who have completed the training requirements;

ii. Number of sexual harassment complaints received by the agency;

iii. Number of complaints which resulted in a finding that sexual harassment occurred;

iv. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and

v. Amount of time it took to resolve each complaint.

This section is not applicable to LCMC Health as it is a nonprofit entity.

We were engaged by LCMC Health to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of LCMC Health and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

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

LaPorte

A Professional Accounting Corporation

Metairie, LA
June 29, 2023