FRANCISCAN MISSIONARIES OF OUR LADY HEALTH SYSTEM, INC. AND AFFILIATED ORGANIZATIONS

Consolidated Financial Statements

June 30, 2024 and 2023

(With Independent Auditors’ Report Thereon)

FRANCISCAN MISSIONARIES OF OUR LADY HEALTH SYSTEM, INC. AND AFFILIATED ORGANIZATIONS

Table of Contents

KPMG LLP
Suite 2150
301 Main Street
Baton Rouge, LA 70801

Independent Auditors' Report

The Board of Trustees
Franciscan Missionaries of Our Lady Health System, Inc.:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Franciscan Missionaries of Our Lady Health System, Inc. and affiliated organizations (the System), which comprise the consolidated balance sheets as of June 30, 2024 and 2023, and the related consolidated statements of operations and changes in net assets without donor restrictions, changes in net assets, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the System as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

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 Auditors' Responsibilities for the Audit of the Consolidated 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 U.S. generally accepted accounting principles, 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 for one year after the date the consolidated financial statements are issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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 auditors' 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 consolidated 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 audits, significant audit findings, and certain internal control related matters that we identified during the audits.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information included in schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 October 18, 2024, 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.

KPMG LLP

Baton Rouge, Louisiana
October 18, 2024

FRANCISCAN MISSIONARIES OF OUR LADY HEALTH SYSTEM, INC. AND AFFILIATED ORGANIZATIONS

Consolidated Balance Sheets

June 30, 2024 and 2023

(In thousands)

Assets		**2024**	**2023**
Current assets:			
Cash and cash equivalents	$	788,838	491,188
Short-term investments		6,543	6,232
Net patient accounts receivables		270,428	258,049
Other current assets		218,563	195,936
Total current assets		1,284,372	951,405
Assets limited as to use, net of current portion		1,894,546	1,665,037
Property and equipment, net		1,642,396	1,681,875
Other assets		372,826	382,665
Total assets	$	5,194,140	4,680,982
Liabilities and Net Assets			
Current liabilities:			
Line of credit	$	500	—
Current installments of long-term debt		8,823	6,803
Current portion of lease obligations		26,652	24,720
Accounts payable		173,651	172,508
Other current liabilities		466,953	397,497
Total current liabilities		676,579	601,528
Professional and general liabilities		68,504	63,670
Long-term debt, excluding current installments		898,195	908,046
Lease obligations, excluding current portion		109,327	77,165
Accrued pension cost		217,554	245,754
Other long-term liabilities		161,740	155,219
Total liabilities		2,131,899	2,051,382
Net assets:			
Without donor restrictions		2,963,327	2,537,983
With donor restrictions		61,458	56,135
Total net assets attributable to Franciscan Missionaries of Our Lady Health System, Inc.		3,024,785	2,594,118
Noncontrolling interests		37,456	35,482
Total net assets		3,062,241	2,629,600
Total liabilities and net assets	$	5,194,140	4,680,982

See accompanying notes to consolidated financial statements.

FRANCISCAN MISSIONARIES OF OUR LADY HEALTH SYSTEM, INC. AND AFFILIATED ORGANIZATIONS

Consolidated Statements of Operations and Changes in Net Assets Without Donor Restrictions

Years ended June 30, 2024 and 2023

(In thousands)

		2024	2023
Changes in net assets without donor restrictions:			
Operating revenues:			
Net patient service revenue	$	3,482,555	3,151,146
Other revenue		338,650	261,916
Equity in income from equity investees, net		204	7,574
Total operating revenues		3,821,409	3,420,636
Net assets released from restrictions used for operations:			
Satisfaction of program restrictions		6,066	3,355
Expiration of time restrictions		—	221
Total net assets released from restrictions used for operations		6,066	3,576
Total operating revenues and other support		3,827,475	3,424,212
Operating expenses:			
Salaries and wages		1,455,151	1,400,086
Employee benefits		258,062	248,584
Total salaries, wages, and employee benefits		1,713,213	1,648,670
Physician fees		174,750	153,916
Professional services		37,602	31,198
Other services		607,107	585,663
Leases, insurance, and utilities		118,341	126,051
Supplies		795,016	741,499
Depreciation and amortization		151,147	148,855
Interest		36,427	39,887
Other		15,614	8,746
Total operating expenses		3,649,217	3,484,485
Operating income (loss) before impairment and gain on sale		178,258	(60,273)
Impairment		—	(534)
Gain on sale of property and equipment		9,882	7,836
Operating income (loss)		188,140	(52,971)

FRANCISCAN MISSIONARIES OF OUR LADY HEALTH SYSTEM, INC. AND AFFILIATED ORGANIZATIONS

Consolidated Statements of Operations and Changes in Net Assets Without Donor Restrictions

Years ended June 30, 2024 and 2023

(In thousands)

		2024	2023
Nonoperating gains:			
Investment return		234,512	157,499
Other		589	8,357
Total nonoperating gains, net		235,101	165,856
Revenues, gains, and other support in excess of expenses and losses before noncontrolling interest		423,241	112,885
Noncontrolling interests		(19,219)	52,586
Revenues, gains, and other support in excess of expenses and losses attributable to Franciscan Missionaries of Our Lady Health System, Inc.		404,022	165,471
Pension-related changes other than net periodic pension credit (cost)		12,076	(5,237)
Released from restrictions for capital		8,164	1,178
Other		1,082	2,258
Increase in net assets without donor restrictions	$	425,344	163,670

See accompanying notes to consolidated financial statements.

FRANCISCAN MISSIONARIES OF OUR LADY HEALTH SYSTEM, INC. AND AFFILIATED ORGANIZATIONS

Consolidated Statements of Changes in Net Assets

Years ended June 30, 2024 and 2023

(In thousands)

		2024	2023
Changes in net assets without donor restrictions:			
Revenues, gains, and other support in excess of expenses and losses attributable to Franciscan Missionaries of Our Lady Health System, Inc.	$	404,022	165,471
Pension-related changes other than net periodic pension credit (cost)		12,076	(5,237)
Released from restrictions for capital		8,164	1,178
Other		1,082	2,258
Increase in assets without donor restrictions		425,344	163,670
Changes in net assets with donor restrictions:			
Contributions		18,170	11,054
Income from long-term investments, net		1,383	375
Net assets released from restrictions		(14,230)	(11,539)
Increase (decrease) in net assets with donor restrictions		5,323	(110)
Changes in noncontrolling interests:			
Revenues, gains, and other support in excess of (less than) expenses and losses		19,219	(52,586)
Distributions		(17,443)	(17,124)
Change in non-controlling interest		—	72,207
Other		198	(232)
Increase in noncontrolling interests		1,974	2,265
Increase in net assets		432,641	165,825
Net assets, beginning of year		2,629,600	2,463,775
Net assets, end of year	$	3,062,241	2,629,600

See accompanying notes to consolidated financial statements.

FRANCISCAN MISSIONARIES OF OUR LADY HEALTH SYSTEM, INC. AND AFFILIATED ORGANIZATIONS

Consolidated Statements of Cash Flows

Years ended June 30, 2024 and 2023

(In thousands)

		2024	2023
Cash flows from operating activities:			
Increase in net assets	$	432,641	165,825
Adjustments to reconcile increase in net assets to net cash provided by operating activities:			
Depreciation and amortization		151,147	148,855
Impairment		—	534
Gain on sale of property and equipment		(9,882)	(7,836)
Net realized and unrealized gains on assets limited as to use and investment securities		(234,512)	(160,296)
Income from equity investees		(204)	(7,574)
Amortization included in interest		(2,021)	(1,829)
Pension-related changes other than net periodic pension cost		(12,076)	5,237
Acquisition of noncontrolling interest		—	(72,207)
Distributions to noncontrolling interest		17,443	17,124
Return of income from equity investees		12,417	10,189
Changes in operating assets and liabilities, net of acquisitions:			
Receivables		(20,779)	78,874
Inventories		10,226	(1,907)
Prepaid expenses and other assets		(8,571)	(13,969)
Accounts payable, accrued expenses, and other liabilities		47,704	(67,112)
Professional and general liabilities		4,834	217
Net cash provided by operating activities		388,367	94,125

FRANCISCAN MISSIONARIES OF OUR LADY HEALTH SYSTEM, INC. AND AFFILIATED ORGANIZATIONS

Consolidated Statements of Cash Flows

Years ended June 30, 2024 and 2023

(In thousands)

		2024	2023
Cash flows from investing activities:			
Capital and software expenditures		(39,007)	(182,783)
Purchases of assets limited as to use		(223,712)	(398,709)
Sales of assets limited as to use		263,497	492,575
Proceeds from sale of property and equipment		9,882	7,836
Cash paid for acquisitions, net of cash acquired		(12,553)	—
Net cash used in investing activities		(1,893)	(81,081)
Cash flows from financing activities:			
Repayment of long-term debt		(6,221)	(15,974)
Repayment of finance lease obligations, net		(10,576)	(9,035)
Proceeds from line of credit		500	—
Payments on line of credit		—	(47,000)
Distributions to noncontrolling interest		(17,443)	(17,124)
Net cash used in financing activities		(33,740)	(89,133)
Increase (decrease) in cash and cash equivalents and restricted cash		352,734	(76,089)
Cash, cash equivalents, and restricted cash, beginning of year		541,961	618,050
Cash, cash equivalents, and restricted cash, end of year	$	894,695	541,961
Supplemental noncash disclosures:			
Accounts payable for capital expenditures projects	$	4,998	2,838
Interest paid		32,536	32,784

See accompanying notes to consolidated financial statements.

(1) Organization and Summary of Significant Accounting Policies

Franciscan Missionaries of Our Lady Health System, Inc. (FMOLHS or the System) is a not-for-profit, nonstock membership corporation and is a wholly owned subsidiary of Franciscan Missionaries of Our Lady (FMOL) in Baton Rouge, Louisiana. The members of FMOL are the provincial and the members of the Council of the Franciscan Missionaries of Our Lady – North American Province. FMOLHS is the sole member and has sole voting control of five medical centers, a captive insurance company, and their affiliates (the FMOLHS Affiliates). All of these entities are not-for-profit, nonstock membership corporations. The medical centers and captive insurance company are as follows:

- Our Lady of the Lake Hospital, Inc. d/b/a Our Lady of the Lake Regional Medical Center (the Lake) – Baton Rouge, Louisiana
- Our Lady of Lourdes Regional Medical Center, Inc. (Lourdes) – Lafayette, Louisiana
- St. Francis Medical Center, Inc. (St. Francis) – Monroe, Louisiana
- Our Lady of the Angels Hospital, Inc. (Angels) – Bogalusa, Louisiana
- St. Dominic Jackson Memorial Hospital, Inc. (St. Dominic) – Jackson, Mississippi
- The FMOLHS Affiliates participate together in a captive insurance company, Louise Insurance Co., Ltd. (Louise), which is wholly owned by FMOLHS (note 18). FMOLHS also has ownership interest in other entities providing services to meet its mission.

The significant accounting policies used by FMOLHS in preparing and presenting its consolidated financial statements are as follows:

(a) Basis of Presentation

These consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles. Certain balances from the 2023 financial statements have been restated to conform to the current year presentation to ensure consistency and comparability with the current year's financial statements.

(b) Principles of Consolidation

The consolidated financial statements include the accounts of FMOLHS, its wholly owned subsidiaries, and the FMOLHS Affiliates. All significant intercompany balances and transactions have been eliminated in consolidation. Third-party equity interest in the consolidated subsidiaries and affiliates are reflected as noncontrolling interest in FMOLHS's consolidated financial statements. For subsidiaries in which FMOLHS does not have a controlling interest, FMOLHS records such investments under the equity method of accounting.

(c) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(In thousands)

Significant items subject to such estimates and assumptions include the determination of the allowances for implicit price concessions and explicit price concessions (contractual adjustments), allowances for credit losses, assumptions related to assets acquired and liabilities assumed, reserves for general and professional liability claims, reserves for workers' compensation claims, reserves for employee healthcare claims, estimated third-party payor settlements, certain investments in alternative funds, lease liabilities and the actuarially determined benefit liability related to pension plans and postretirement health plans. In addition, laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates related to these programs will change by a material amount in the near term.

(d) Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less when purchased, excluding amounts included in assets limited as to use.

FMOLHS maintains bank accounts at various financial institutions covered by Federal Depository Insurance Corporation (FDIC). FMOLHS may maintain bank account balances in excess of the FDIC-insured limit. FMOLHS believes it is not exposed to any significant credit risk related to cash and cash equivalents.

Cash equivalents and restricted cash as shown on the consolidated statements of cash flows consist of the following:

		2024	2023
Balance sheet caption:			
Cash	$	788,838	491,188
Short-term investments (see note 2)		105	100
Assets limited as to use (see note 2)		105,752	50,673
Total	$	894,695	541,961

(e) Investments and Investment Return

Investments in equity securities with readily determinable fair values and all investments in debt securities, except for investments in the common stock of equity investees accounted for using the equity method, are recorded at fair value. The estimated fair value of these investments is based on quoted market prices.

FMOLHS also invests in alternative investments such as hedge funds, private equity funds, and commingled funds. When FMOLHS's alternative investments represents investments organized as corporations, or trusts with legal structures similar to a corporation, with ownership less than 20%, and transacts frequently (at least quarterly), FMOLHS accounts for these investments at fair value or net asset value (NAV) as a practical expedient to fair value. Net asset value is based on the fair value of the underlying investments. When FMOLHS's alternative investments represents investments organized as limited partnerships or limited liability companies with specific ownership accounts or trusts with legal structures similar to a partnership, FMOLHS accounts for these investments using the equity method, which generally approximates NAV.

The NAV for alternative investments for which quoted market prices are not available is based on the most recent valuations provided by the external investment managers, adjusted for receipts and disbursements through June 30. FMOLHS reviews and evaluates the values provided by the managers and agrees with the valuation methods and assumptions used to determine those values. Therefore, FMOLHS believes the carrying amount of these financial instruments is a reasonable estimate of fair value. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed.

Dividend, interest and other income, realized and unrealized gains and losses on investments recorded at fair value, alternative investments recorded at NAV, and changes in the carrying value of alternative investments recorded on the equity method, are included as revenues, gains, and other support in excess of expenses and losses in the consolidated statements of operations and changes in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or law. Donated investments are recorded at fair value at the date of receipt.

(f) Inventories and Supplies

Inventories and supplies, consisting primarily of medical supplies and pharmaceuticals, are stated at the lower of cost (average-cost method) or net realizable value and are included in other current assets in the accompanying consolidated balance sheets.

(g) Assets Limited as to Use

Assets limited as to use include the following:

- Assets set aside by the board of directors for future capital acquisitions, capital improvements, and debt service, over which the board of directors retains control and may at its discretion subsequently use for other purposes
- Assets held by trustees under indenture agreements, self-insurance trust arrangements, and terms of donor restrictions
- Assets set aside subject to donor-imposed stipulations

Amounts required to satisfy current requirements for the payment of current construction costs and debt service costs are classified as other current assets in the accompanying consolidated balance sheets.

(h) Components of Net Assets

Net assets, revenues, and other support and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of FMOLHS and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations that are available for use either by the passage of time or for specific purposes; certain of these net assets are subject to donor-imposed stipulations that they be maintained permanently by FMOLHS. Generally, the donors of these assets permit FMOLHS to use all or part of the income earned on related investment for general or specific purposes.

Revenue is reported as increases in net assets without donor restrictions, unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications from net assets with donor restrictions to net assets without donor restrictions. Donor-restricted contributions, whose restrictions are met in the same reporting period as the contributions are recorded, are reported as increases in net assets without donor restrictions.

(i) Property and Equipment

Property and equipment, including leasehold improvements, are stated at cost upon acquisition or fair value if donated. Depreciation is computed primarily on the straight-line method based upon the shorter of the estimated useful lives of the assets or the lease term.

FMOLHS capitalizes costs associated with the acquisition or development of major software for internal use in other assets in the consolidated balance sheets and amortizes the assets over the expected life of the software, generally between three and seven years. FMOLHS only capitalizes subsequent additions, modifications, or upgrades to internal-use software to the extent that such changes allow the software to perform a task it previously did not perform. FMOLHS expenses software maintenance and training costs as incurred.

(Continued)

FMOLHS evaluates cloud computing arrangements to determine whether the arrangement includes a software license or is a service contract. If determined to be a software license, then FMOLHS capitalizes the arrangement as other assets and amortizes it over the expected life of the software license, generally between three and five years. If determined to be a service contract, then FMOLHS expenses the cost of the arrangement as the services are provided.

(j) Leases

FMOLHS is the lessee with several noncancellable contracts that include (1) operating leases, primarily for office space, and (2) finance leases, for certain equipment and information technology equipment.

FMOLHS accounts for leases in accordance with *Leases (Topic 842)* (see note 20). FMOLHS determines if an arrangement is or contains a lease at contract inception. FMOLHS recognizes a right of use (ROU) asset and a lease liability at the lease commencement date.

For operating leases, the lease liability is initially and subsequently measured at the present value of the unpaid lease payments at the lease commencement date. For finance leases, the lease liability is initially measured in the same manner and date as for operating leases and is subsequently measured at amortized cost using the effective-interest method.

FMOLHS uses key estimates and judgements to determine (1) the discount rate it uses to discount the unpaid lease payments to present value, (2) lease term, and (3) lease payments.

The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for lease payments made at or before the lease commencement date, plus any initial direct costs incurred less any lease incentives received.

The ROU asset is subsequently amortized using the straight-line method from the lease commencement date to the earlier of the end of its useful life or the end of the lease term unless the lease transfers ownership of the underlying asset to FMOLHS or FMOLHS is reasonably certain to exercise an option to purchase the underlying asset.

ROU assets for operating and finance leases are periodically reduced by impairment losses. FMOLHS uses the long-lived assets impairment guidance in ASC Topic 360-10, *Property, Plant, and Equipment – Overall*, to determine whether an ROU asset is impaired, and if so, the amount of the impairment loss to recognize. See note 1(m).

FMOLHS monitors for events or changes in circumstances that require a reassessment of one or more its leases. When a reassessment results in the remeasurement of a lease liability, a corresponding adjustment is made to the carrying amount of the corresponding ROU asset unless doing so would reduce the carrying amount of the ROU asset to an amount less than zero. In that case, the amount of the adjustment that would result in a negative ROU asset balance is recorded in operating income in the consolidated statements of operations and changes in net assets without donor restrictions.

ROU assets are presented in property and equipment, net in the consolidated balance sheets. The current portion of capital lease obligations is presented separately as current portion of lease obligations and the long-term portion is presented separately as lease obligations, excluding current portion on the consolidated balance sheets.

(k) Business Combination

FMOLHS accounts for business combinations using the acquisition method. The assets acquired and liabilities assumed are measured at fair value on the acquisition date using appropriate valuation methods. The residual purchase price is recorded as cost in excess of net assets acquired. The operations of the acquisitions are included in the consolidated financial statements from their respective dates of acquisition.

(l) Cost in Excess of Net Assets Acquired

Cost in excess of net assets acquired, or goodwill, included in other assets in the consolidated balance sheets, is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. Cost in excess of net assets acquired is reviewed for impairment at least annually. FMOLHS applies the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 350, *Intangibles – Goodwill and Other*, which provides an entity the option to perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount prior to performing the two-step goodwill impairment test.

FMOLHS performs its annual impairment review of cost in excess of net assets acquired at June 30, and when a triggering event occurs between annual impairment tests. For the fiscal year ended June 30, 2024, FMOLHS performed a qualitative assessment of cost in excess of net assets acquired and determined that it is not likely the fair values of its reporting units are less than the carrying amounts.

(m) Impairment of Long-lived Assets

Long-lived assets, such as property and equipment and equity method investments, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset to be tested for possible impairment, FMOLHS first compares the undiscounted future cash flows expected to be generated by the assets to its carrying value. If the carrying amount of the long-lived asset is not recoverable on an undiscounted cash flow basis, an impairment charge is recognized to the extent the carrying amount of the asset exceeds its fair value. Fair value is determined through various valuation techniques, including discounted cash flow models, quoted market values, and third-party appraisals, as considered necessary.

(n) Cost of Issuances

Bond issuance costs are presented as a direct deduction from the carrying value of debt in the accompanying consolidated financial statements. Premiums, discounts, costs of letters of credit, and standby purchase agreements are being amortized over the terms of the related bond issues using a method that approximates the effective-interest method. Accumulated amortization was approximately $10,007 and $9,636 at June 30, 2024 and 2023, respectively.

(o) Estimated Workers' Compensation, Professional Liability, and Employee Health Claims

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

(p) Consolidated Statements of Operations and Changes in Net Assets without Donor Restrictions

Transactions deemed to be ongoing, major, or central to the provision of healthcare services are reported as operating revenues and expenses. Peripheral or incidental transactions are reported as nonoperating gains and losses. Investment return, consisting of dividends and interest earned on investments, as well as realized and unrealized gains and losses on the investment portfolio, are reported as nonoperating gains or losses.

The consolidated statements of operations and changes in net assets without donor restrictions include revenues, gains, and other support in excess of expenses and losses, which is an indicator of financial performance. Changes in net assets without donor restrictions which are excluded from revenues, gains, and other support in excess of expenses and losses include permanent transfers of assets to and from affiliates for other than goods and services, pension-related changes other than the service cost component, and contributions of long-lived assets (including assets acquired using contributions that by donor restriction were to be used for the purpose of acquiring such assets).

(q) Net Patient Service Revenue and Patient Accounts Receivable

Net 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, third-party payors (including health insurers and government programs), and others and include variable consideration for retroactive revenue adjustments due to settlements of audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to audits, review, and investigations. Generally, the System bills the patients and third-party payors several days after the services are performed or the patient is discharged from the facility. 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 in relation to total expected (or actual) charges. The System believes that this method provides a faithful 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 or patients receiving services in outpatient centers. The System measures the performance obligation from admission into the hospital, or commencement of an outpatient service, to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge or completion of outpatient services. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to the System's patients and customers in a retail setting (for example, pharmaceuticals) as a component of other revenue in the accompanying consolidated statements of operations and changes in net assets without donor restrictions and the System does not believe it is required to provide additional goods or services related to that sale.

The System's performance obligations relate to contracts with a duration of less than one year; therefore, the System has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient 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.

The System is utilizing the portfolio approach practical expedient in ASC 606, *Revenue From Contracts With Customers*, for contracts related to net patient service revenue. The System accounts for the contracts within each portfolio as a collective group, rather than individual contracts, based on the payment patterns 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 revenue 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 than if accounting for revenue on a contract-by-contract basis.

The System has agreements with third-party payors that generally provide for payments to the System at amounts different from its established rates. For uninsured patients who do not qualify for charity care, the System recognizes revenue based on established rates, subject to certain discounts and implicit price concessions as determined by the System.

The System determines the transaction price based on standard charges for goods and services provided, reduced by explicit price concessions provided to third-party payors, discounts provided to uninsured patients in accordance with the System’s policy, and implicit price concessions provided to uninsured 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.

Consistent with the System’s mission, care is provided to patients regardless of their ability to pay. Therefore, the System has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances (e.g., co-pays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the System expects to collect based on its collection history with those patients.

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and the System’s historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of 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 (i.e., as new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The System also provides services to uninsured patients and offers those uninsured patients a discount, either by policy or law, from standard charges. The System estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, 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. For the years ended June 30, 2024 and 2023, additional revenue of $25,821 and $25,093, respectively, was recognized due to changes in its estimates of implicit price concessions, discounts, and contractual adjustments for performance obligations satisfied in prior years. The additional revenue primarily represents patient account recoveries that were previously written off as uncollectible. Subsequent changes that are determined to be the result of an adverse change in the patient’s ability to pay are recorded as bad debt expense.

The System owns and operates a continuing care retirement community. These contractual arrangements require payment in advance for goods and services to be provided. For the years ended June 30, 2024 and 2023, the associated contract liabilities for such collections in advance were $31,456 and $31,271 are reported in other long-term liabilities on the consolidated balance sheets. Revenue for the continuing care retirement community is recognized over the estimated remaining life expectancy of the residents, which is actuarially determined.

(r) Charity Care

The System provides services to patients who meet the charity care criteria of its financial assistance policy without charge or at amounts less than its established rates. The criteria for charity care considers household income in relation to the federal poverty guidelines and the equity value of real property assets. The System provides qualifying services without charge for patients with adjusted gross income equal to or less than 275% of the poverty guidelines. If the patient's household income exceeds 275% of the poverty guidelines, the patient may still receive charity care services under the System's catastrophic medical policies.

The System maintains records to identify and monitor the level of charity care it provides for financial reporting and community benefit reporting requirements. For financial reporting purposes, the cost of providing charity care for the years ended June 30, 2024 and 2023 was approximately $29,410 and $15,721, respectively, calculated based on the percentage of total operating expenses to established charges, applied to total charity adjustments recognized in net patient service revenue.

(s) Income Taxes

FMOLHS and the FMOLHS Affiliates are exempt from federal income taxes under Section 501(a) of the Internal Revenue Code (IRC) as organizations described in IRC Section 501(c)(3). Certain of the FMOLHS Affiliates' subsidiaries are subject to federal and state income taxes, provisions for which have been reflected in the accompanying consolidated financial statements. The amounts of such provisions are not material.

FMOLHS recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. No reserves for uncertain tax positions have been recorded. The statue of limitations remains open for tax years 2020 through 2023 in the System's main tax jurisdictions.

(t) Fair Value Measurements

FMOLHS applies ASC Topic 820, *Fair Value Measurement*, which defines fair value, establishes an enhanced framework for measuring fair value, and expands disclosures about fair value measurements, including those required for certain investments in funds that do not have readily determinable fair values, including private equity investments, hedge funds, real estate, and other funds. ASC Topic 820 permits, as a practical expedient, the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value using NAV per share or its equivalent. NAV, in many instances, may not equal fair value that would be calculated pursuant to other related requirements of ASC Topic 820.

FMOLHS utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. FMOLHS determines fair value based on assumptions that market participants would use in pricing an asset or a liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- Level 1 inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date
- Level 2 inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability
- Level 3 inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

(u) Fair Value Option

ASC Subtopic 825-10, *Financial Instruments – Overall*, gives FMOLHS the irrevocable option to report most financial assets and financial liabilities at fair value on an instrument-by-instrument basis, with changes in fair value reported in earnings. FMOLHS has not elected to apply the fair value option to any assets or liabilities.

(v) Recently Adopted Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, *Measurement of Credit Losses on Financial Instruments* which significantly changes the way entities recognize impairment of many financial assets by requiring immediate recognition of estimated credit losses expected to occur over their remaining life, instead of when incurred. In November 2018, the FASB issued ASU 2018-19, *Codification Improvements to Topic 326, Financial Instruments–Credit Losses*, which amends Subtopic 326-20 (created by ASU 2016-13) to explicitly state that operating lease receivables are not in the scope of Subtopic 326-20. Additionally, in April 2019, the FASB issued ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses*, Topic 815, *Derivatives and Hedging*, and Topic 825, *Financial Instruments*; in May 2019, the FASB issued ASU 2019-05, *Financial Instruments—Credit Losses (Topic 326): Targeted Transition Relief*; in November 2019, the FASB issued ASU 2019-10, *Financial Instruments—Credit Losses (Topic 326)*, *Derivatives and Hedging* (Topic 815), and *Leases* (Topic 842): Effective Dates, and ASU 2019-11, *Codification Improvements to Topic 326*, *Financial Instruments—Credit Losses*; and in March 2020, the FASB issued ASU 2020-03, *Codification Improvements to Financial Instruments*, to provide further clarifications on certain aspects of ASU 2016-13 and to extend the nonpublic entity effective date of ASU 2016-13. The changes (as amended) are effective for the System for annual in fiscal years beginning after December 15, 2022. The System adopted ASU 2016-13, in the fiscal year ended June 30, 2024 and ASU 2016-13 did not have a material effect on its consolidated financial statements.

(In thousands)

(2) Short-Term Investments and Assets Limited as to Use

Short-term investments at June 30, 2024 and 2023 consist of the following:

	2024	2023
Cash equivalents	$ 105	100
Fixed income	6,438	6,132
Total	$ 6,543	6,232

The composition of assets limited as to use at June 30, 2024 and 2023 is as follows:

	2024					
	Board-designated for capital	Trusteed bond funds	Self-insurance trust funds	Other	Donor-restricted Other	Total
Asset category:						
Cash and cash equivalents	$ 64,688	19,542	—	3,208	18,314	105,752
Equity securities:						
Global equity	223,461	—	—	—	—	223,461
U.S. equity	483,862	—	11,143	—	7,960	502,965
Non-U.S. equity	293,569	—	—	—	—	293,569
Private investments:						
Private equity/venture capital	176,916	—	—	—	—	176,916
Private real assets	946	—	—	—	—	946
Hedge funds	215,975	—	—	—	151	216,126
Real assets	84,401	—	—	—	—	84,401
Fixed income	240,013	—	87,360	—	3,286	330,659
	1,783,831	19,542	98,503	3,208	29,711	1,934,795
Less amounts classified as current assets, included in other current assets	—	19,542	—	3,208	17,499	40,249
Noncurrent portion	$ 1,783,831	—	98,503	—	12,212	1,894,546

(In thousands)

	2023					
	Board-designated for capital	Trusteed bond funds	Self-insurance trust funds	Other	Donor-restricted Other	Total
Asset category:						
Cash and cash equivalents	$ 29,800	17,653	—	2,605	615	50,673
Equity securities:						
Global equity	264,275	—	—	—	—	264,275
U.S. equity	424,801	—	9,061	—	7,810	441,672
Non-U.S. equity	300,231	—	—	—	—	300,231
Private investments:						
Private equity/venture capital	139,368	—	—	—	—	139,368
Private real assets	1,678	—	—	—	—	1,678
Hedge funds	208,933	—	—	—	129	209,062
Real assets	70,873	—	—	—	—	70,873
Fixed income	124,217	—	80,346	—	2,900	207,463
	1,564,176	17,653	89,407	2,605	11,454	1,685,295
Less amounts classified as current assets, included in other current assets	—	17,653	—	2,605	—	20,258
Noncurrent portion	$ 1,564,176	—	89,407	—	11,454	1,665,037

(a) Board-Designated for Capital

In accordance with board of directors' approval, the FMOLHS Affiliates have designated assets to fund future capital acquisitions and capital improvements.

The FMOLHS Affiliates invest their board-designated for capital funds together within FMOLHS in a capital reserve investment fund held in a Northern Trust custodial account. Through usage of unitized accounting, these investments are segregated for each FMOLHS Affiliate. Investments held as board-designated for capital are managed by several money managers, which focus on different investment strategies and provide diversity to the investments.

(In thousands)

(b) Alternative Assets

Alternative assets include limited partnerships and offshore investment funds. These funds invest in certain types of financial instruments, including, among others, futures and forward contracts, options, and securities sold not yet purchased, intended to hedge against changes in the market value of investments. These financial instruments, which involve varying degrees of risk, may result in loss due to changes in the market (market risk). Alternative assets by strategy type are as follows:

	2024	2023
Alternative assets:		
Global equity	$ 223,461	264,275
U.S. equity	274,762	223,699
Non-U.S. equity	226,664	222,374
Private equity/venture capital	176,916	139,368
Private real assets	946	1,678
Hedge funds	216,126	209,062
Real assets	32,462	29,722
Fixed income	3,564	3,863
Total alternative assets	$ 1,154,901	1,094,041

At June 30, 2024, FMOLHS's remaining outstanding commitments to private equity interests totaled $418,600. The projected capital call amounts for the next four fiscal years and thereafter are summarized in the table below:

	Projected capital calls
Fiscal year:	
2025	$ 56,300
2026	72,600
2027	88,100
2028	98,600
Thereafter	103,000
	$ 418,600

Private equity interests have 10-year terms, with extensions of 1 to 4 years. As of June 30, 2024, the average remaining life of the private equity interests is approximately 3.5 years.

At June 30, 2024, FMOLHS had investments with restrictions of $404,361 which were restricted from redemption for lock-up periods. Some of the investments with restrictions allow early redemption for specified fees. The terms and conditions upon which an investor may redeem an investment vary, usually requiring 30 to 180 days' notice after the initial lock-up period.

(In thousands)

Based upon the terms and conditions in effect at June 30, 2024, FMOLHS's investments with restrictions can be redeemed or sold as follows:

	Amount
Fiscal years:	
2025	$ 374,371
2026	16,480
Thereafter	13,510
	$ 404,361

(c) Self-Insurance Trust Funds

The self-insurance trust funds represent amounts designated to pay certain self-insured losses (note 18).

(d) Other

Other assets limited as to use as of June 30, 2024 and 2023 consist of the following:

	2024	2023
Scholarships – by donor	$ 2,000	1,655
Healthcare services – by donor	13,417	12,400
Resident deposits	3	4
Capital improvements – by bond requirements	17,499	—
	32,919	14,059
Less amounts classified as current	(20,707)	(2,605)
	$ 12,212	11,454

All investments are considered "trading" for accounting purposes. All investment income, not restricted by donors or by law, including both realized and unrealized gains and losses, is included in the reported total of revenues, gains, and other support in excess of expenses and losses in the consolidated statements of operations and changes in net assets without donor restrictions.

Investments, in general, are exposed to various risks such as interest rate, credit, and overall market volatility. As such, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated balance sheets, statements of operations and changes in net assets without donor restrictions, and statements of changes in net assets.

(In thousands)

(3) Other Current Assets

The composition of other current assets at June 30, 2024 and 2023 is as follows:

	2024	2023
Other receivables	$ 45,790	37,390
Inventories and supplies	77,546	87,772
Prepaid expenses and other current assets	54,978	50,516
Assets limited as to use required for current liabilities	40,249	20,258
	$ 218,563	195,936

(4) Property and Equipment

A summary of property and equipment as of June 30, 2024 and 2023 is as follows:

	2024	2023	Estimated useful lives
Land	$ 199,532	212,603	—
Land improvements	27,559	26,097	2–40 Years
Buildings and building improvements	1,717,178	1,703,057	5–40 Years
Fixed equipment	187,831	182,790	3–40 Years
Movable equipment	857,029	826,315	3–25 Years
Leasehold improvements	11,318	16,761	5–15 Years
ROU assets	125,072	71,610	4–9 Years
Construction in progress	74,254	90,144	—
	3,199,773	3,129,377	
Less accumulated depreciation	1,557,377	1,447,502	
	$ 1,642,396	1,681,875	

At June 30, 2024, the FMOLHS Affiliates were obligated under purchase commitments of $17,071 relating to the completion of various construction projects and purchases of equipment. Approximately $3,383 and $4,002 related to such projects are included in accounts payable in the consolidated balance sheets at June 30, 2024 and 2023, respectively.

(In thousands)

(5) Other Assets

The composition of other assets at June 30, 2024 and 2023 is as follows:

		2024	2023
Investments in equity investees	$	113,960	105,646
Cost in excess of net assets acquired		176,740	176,845
Software license and build, net of accumulated amortization		61,412	76,002
Other		20,714	24,172
	$	372,826	382,665

(6) Investment in Equity Investees

A summary of the FMOLHS's investment in equity investees at June 30, 2024 and 2023 included in other assets in the consolidated balance sheets, and its income from equity investees for the years ended June 30, 2024 and 2023 are as follows:

	2024			
	Ownership interest		Investment in investees	Equity income (loss) of investees
Convenient Care, LLC	50 %	$	1,551	(2,109)
Surgical Specialty Center of Baton Rouge, LLC	49		26,924	5,434
Baton Rouge Physical Therapy – Lake	15		1,960	79
Premier Health Holdings, LLC	20		11,958	(2,345)
Innovation Institute	20		13,135	(1,701)
Park Place Surgery Center	45		21,530	3,724
Others	Various		36,902	(2,878)
		$	113,960	204

(In thousands)

	2023			
	Ownership interest		Investment in investees	Equity income (loss) of investees
Convenient Care, LLC	50 %	$	2,660	(469)
Surgical Specialty Center of Baton Rouge, LLC	49		27,094	4,189
Baton Rouge Physical Therapy – Lake	15		1,910	116
Premier Health Holdings, LLC	20		14,303	(847)
Innovation Institute	20		15,799	66
Park Place Surgery Center	45		20,362	4,015
Others	Various		23,518	504
		$	105,646	7,574

(7) Lines of Credit

The FMOLHS Affiliates had various unsecured working capital lines of credit with banks in an aggregate amount of $121,100, bearing interest at variable rates expiring at various dates through July 2025. The amount outstanding was $500 at June 30, 2024. No such amounts were outstanding at June 30, 2023. FMOLHS affiliates expect to renew the lines of credit at expiration under substantially the same terms and conditions.

(8) Other Current Liabilities

The composition of other current liabilities at June 30, 2024 and 2023 is as follows:

		2024	2023
Accrued salaries and related expenses	$	190,408	157,984
Accrued interest		15,464	15,541
Due to third-party payors		137,923	120,544
LSU contract liability		8,200	8,200
Accrued expenses and other current liabilities		114,958	95,228
	$	466,953	397,497

(In thousands)

(9) Long-Term Debt

A summary of long-term debt at June 30, 2024 and 2023 is as follows:

	2024	2023
Obligated group bonds:		
Louisiana Public Facilities Authority Hospital Revenue and Refunding Bonds Series 1998A, $72,560 tax-exempt bonds; due in varying installments through fiscal year 2026 with interest fixed rates ranging from 5.50% to 5.75%	$ 4,385	6,500
Louisiana Public Facilities Authority Hospital Revenue Refunding Bonds Series 2012A, $56,530 bonds; due in varying installments through 2033, with interest at a fixed rate of 2.92%	56,395	56,395
Louisiana Public Facilities Authority Hospital Revenue Refunding Bonds Series 2015A, $190,710; due in varying installments through July 1, 2039, with interest fixed rates ranging from 3.50% to 5.00%	189,560	189,560
Louisiana Public Facilities Authority Hospital Revenue Bonds Series 2017A, $150,000 bonds; due in varying installments through fiscal year 2048, with fixed interest rates ranging from 3.75% to 5.00%	150,000	150,000
Master Trust Indenture Note (Franciscan Missionaries of Our Lady Heath System Series 2019A) PNC Term Loan Agreement; Maturity date of October 9, 2029, which bears interest at a fixed rate of 2.06%	78,015	78,015
Franciscan Missionaries of Our Lady Health System, Inc. Taxable Revenue Bonds, Series 2019B Bonds due July 1, 2049 with interest at a fixed rate of 3.914%	332,000	332,000
	810,355	812,470
Add unamortized premiums	41,910	43,892
Total obligated group debt	852,265	856,362
Capital improvement financing	33,740	35,170
Other debt due in varying installments through 2037	26,725	29,400
Total long-term debt for FMOLHS	912,730	920,932
Less current installments of long-term debt	8,823	6,803
Less costs of issuance	5,712	6,083
	$ 898,195	908,046

FMOLHS and certain FMOLHS Affiliates participate in an Obligated Group Master Trust Indenture whereby the obligated issuers have agreed to be jointly and severally liable for timely payments due and for the performance and observance of all covenants and agreements pursuant to the trust indenture. FMOLHS directs the proceeds of the borrowed funds to the particular affiliate benefiting therefrom and separate escrow funds are maintained by the trustee for each of the affiliates to support each affiliate's allocated portion of the bonds. The total debt subject to the Obligated Group Guarantee and Master Trust Indenture amounted to $852,265 and $856,362 as of June 30, 2024 and 2023, respectively.

The Master Trust Indenture covering the bond issues contains financial and non-financial covenants typical of such agreements. In addition, the Obligated Group members are subject to restrictions on maintenance of revenue, incurrence of additional debt, disposition of assets, maintenance of insurance, and other restrictions. Obligations of the Obligated Group under the Master Trust Indenture are general obligations secured by the full faith and credit of the Obligated Group. None of the bonds are secured by a mortgage on, or security interest in, any real or personal property of FMOLHS or its affiliates.

In 2012, FMOLHS completed a $56,530 issuance of Hospital Revenue Bonds Series 2012 (the 2012A Series). The proceeds for the 2012A Series were used to refund all outstanding Series 2005C bonds and prepayment cost.

On March 1, 2015, FMOLHS completed the issuance of $190,710 of the Louisiana Public Facilities Authority Hospital Revenue Refunding Bonds (FMOLHS Project – Series 2015A). The proceeds of the bonds were issued for the purpose of advance refunding $44,980 of the Series 2005A, advance refunding all $125,000 of the outstanding Series 2009A, and paying the costs of issuance. Series 2015A shall mature on July 1, 2039.

On June 29, 2017, FMOLHS completed the issuance of $150,000 Louisiana Public Facilities Authority Hospital Revenue Bond Series 2017A. The proceeds of the bonds were used for the purpose of (i) financing a portion of the cost of acquiring, constructing, furnishing, and equipping a new freestanding children's hospital in Baton Rouge, Louisiana and (ii) paying costs of issuance of the bonds.

On October 1, 2019, FMOLHS refunded the Series 2005B and Series 2015B bond debt through a term loan agreement with PNC Bank in connection with Series 2019A Taxable Fixed Direct Placement debt. The Series 2019A has a par value of $78,015 with a 2.06% fixed rate.

On October 1, 2019, FMOLHS completed the issuance of $150,000 Taxable Revenue Bonds (Series 2019B) that will be used to finance certain capital projects of the Corporation and to reimburse the Corporation for prior expenditures. The Series 2019B has a 3.91% fixed rate.

On December 10, 2020, FMOLHS issued $182,000 in additional Series 2019B Taxable Revenue Bonds. The bond funds were used to advance refund Series 2012B bonds, Series 2005D bonds, Series 2008A bonds, and to terminate its interest rate swaps.

On July 1, 2022, FMOLHS completed a refinance of the Series 2012A bonds with an original principal amount of $56,395, of which $56,395, were outstanding at June 30, 2024. DNT Asset Trust purchased the Series 2012A bonds outstanding and amended the interest rate on the bonds to 2.92%.

(In thousands)

In December 2017, the Lake and Baton Rouge Hospital Energy Holdings I, LLC (BREHEH) entered into a concession agreement to manage and optimize the Lake's heating and cooling infrastructure, which will provide energy efficiencies and capacity. In association with the concession agreement, the Lake and BRHEH also entered into a thermal services agreement, with payment terms that will fund operating and maintenance costs, thermal services costs, and debt repayments for capital improvement financing. The concession agreement has a term of 20 years and the amount of the borrowing under the agreement at June 30, 2024 and 2023 totaled $33,740 and $35,170, respectively.

As of July 1, 2019, FMOLHS acquired St. Dominic's long-term debt. This consisted of several note payables with financial institutions with rates ranging from 2.75% – 3.35% and maturity dates through year 2030. Total debt of St. Dominic as of June 30, 2024 is $22,293.

Aggregate maturities of long-term debt at June 30, 2024 are as follows:

Year ending June 30:		
2025	$	8,823
2026		9,025
2027		18,335
2028		5,662
2029		12,176
Thereafter		816,799
	$	870,820

(10) Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2024 and 2023 are available for the following purposes:

		2024	2023
Healthcare services	$	40,051	37,807
Elderly housing		6,973	6,302
Educational services		14,434	12,007
Other		—	19
	$	61,458	56,135

(In thousands)

Net assets released from restrictions for the years ended June 30, 2024 and 2023 are as follows:

		2024	2023
Healthcare services	$	4,763	2,172
Release for long-lived assets		8,164	1,178
Elderly housing		—	7,023
Educational services and other		1,303	1,166
	$	14,230	11,539

(11) Net Patient Service Revenue

The System has determined that the nature, amount, and uncertainty of revenue and cash flows are affected by the following factors: payors and service lines. The following tables provide details of these factors.

The composition of net patient service revenue by primary payor for the years ended June 30, 2024 and 2023 is as follows:

		2024	2023
Medicare	$	1,291,973	1,146,201
Medicaid		843,147	753,152
Blue Cross		727,711	685,946
Self-pay		124,489	133,710
Managed care/other		495,235	432,137
	$	3,482,555	3,151,146

Revenue from patient's deductibles and coinsurance are included in the preceding categories based on the primary payor.

(In thousands)

The composition of net patient service revenue based on the System's lines of business for the years ended June 30, 2024 and 2023 are as follows:

		2024	2023
Service lines:			
Hospitals (inpatient and outpatient)	$	2,965,841	2,657,015
Physician groups		354,970	335,035
Elderly services		35,066	38,057
Joint ventures and other		126,678	121,039
	$	3,482,555	3,151,146

The FMOLHS Affiliates have agreements with governmental and other third-party payors that provide for reimbursement to the FMOLHS Affiliates at amounts different from their established rates. Contractual adjustments under third-party reimbursement programs represent the difference between billings at established rates for services and amounts reimbursed by third-party payors. Management regularly analyzes the historical contractual adjustments for each payor group to determine if current estimates for contractual adjustment allowances need to be revised. A summary of the basis of reimbursement with major third-party payors is as follows:

(a) Medicare

Substantially all acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Certain types of exempt services and other defined payments related to Medicare beneficiaries are paid based on cost reimbursement or other retroactive determination methodologies. The FMOLHS Affiliates are paid for retroactively determined items at tentative rates with final settlement determined after submission of annual cost reports by FMOLHS Affiliates and audits by the Medicare fiscal intermediary. The FMOLHS Affiliates' Medicare cost reports have been audited by the Medicare fiscal intermediary through varying years ranging from June 30, 2011 to June 30, 2019. Periods for which final settlements have not been made are subject to audit by program representatives. In the opinion of management, adequate provision has been made in the accompanying consolidated financial statements for the effects of estimated final settlements.

(b) Medicaid

Inpatient services rendered to Medicaid program beneficiaries are partially paid at prospectively determined per diem rates. These rates vary according to a hospital classification system that is based on bed size, teaching status, and other factors. Additional outlier payments are made for neonatal intensive care patients with extended lengths of stay. Outpatient services rendered to Medicaid program beneficiaries are reimbursed based upon a cost-reimbursement methodology. The FMOLHS Affiliates are paid at a tentative rate with final settlement determined after submission of annual cost reports by FMOLHS Affiliates and audits by the Medicaid fiscal intermediary. The FMOLHS Affiliates'

Medicaid cost reports have been audited by the Medicaid fiscal intermediary through varying years ranging from June 30, 2005 to June 30, 2014. Periods for which final settlements have not been made are subject to audit by program representatives. In the opinion of management, adequate provision has been made in the accompanying consolidated financial statements for the effects of estimated final settlements.

FMOLHS Affiliates also participate in the voluntary disproportionate share (DSH) program, Mississippi Hospital Access Program (MHAP) and Uncompensated Care Costs (UCC) available to certain qualifying hospitals in Louisiana and Mississippi Medicaid programs. For the years ended June 30, 2024 and 2023, the System recorded net patient service revenue of $110,996 and $87,707, respectively, under these programs.

Beginning in fiscal year 2024, qualifying hospitals in Louisiana also participate in a direct payment arrangement as defined by the Louisiana Medicaid State Plan. Each qualifying hospital receives interim quarterly payments based on a tiered hospital methodology for inpatient and outpatient Medicaid services. Upon final reconciliation of Medicaid utilization, the Louisiana Department of Health calculates the final direct payment for each hospital. For the years ended June 30, 2024 and 2023, the System received funding and recorded net patient service revenue of $277,485 and $234,322, respectively, in the consolidated statements of operations and changes in net assets without donor restrictions.

(c) Blue Cross

Inpatient services rendered to Blue Cross subscribers are paid at prospectively determined Diagnosis-Related Group (DRG) rates. Outpatient services are paid based on a fee schedule.

(d) Other Payors – Certain Commercial Insurance Carriers, Health Maintenance Organizations, and Preferred Provider Organizations

Payment methodologies under these agreements include prospectively determined rates per discharge, discounts from established charges, prospectively determined per diem rates, and fee schedules.

Revenue from the Medicare and Medicaid programs accounted for approximately 37% and 24%, respectively, of the System’s net patient service revenue for the year ended June 30, 2024. Revenue from the Medicare and Medicaid programs accounted for approximately 36% and 24%, respectively, of the System’s net patient service revenue for the year ended June 30, 2023. Net patient service revenue from Medicare and Medicaid programs increased by approximately $32,018 and $33,779 in 2024 and 2023, respectively, due to final settlements and revised estimated settlements in excess of amounts previously recorded, removal of allowances previously estimated that are no longer necessary as a result of final settlements, and years that are no longer subject to audits, reviews, and investigations.

(Continued)

(In thousands)

The System grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of gross System receivables from patients and third-party payors at June 30, 2024 and 2023 was as follows:

	2024	2023
Medicare	38 %	37 %
Medicaid	25	25
Blue Cross	21	22
Self-pay	1	2
Managed care/other	15	14
	100 %	100 %

(12) Related-Party Transactions

The FMOL Sisters formed the Franciscan Fund (the Fund) to support community programs in the operating areas of the FMOLHS hospitals. Each FMOLHS hospital makes contributions to the Fund based on a percentage of earnings determined by the Fund, then can submit grant applications to the Fund to receive money back for supporting its community programs. Grant-making decisions are made by the FMOL Sisters and no guarantee is provided that each hospital will receive back its specific contribution amounts in the form of a formal grant from the Fund. During fiscal year 2024 and 2023, no contributions were made to the Fund. This fund is included in Health System’s investment portfolio and recognized on the consolidated balance sheets in both assets limited as to use and other long-term liabilities.

(13) Pension and Other Postretirement Benefits

(a) Defined-Benefit Plans

Prior to July 1, 2021, FMOLHS sponsored the benefit plans for the Retirement Plan of Our Lady of the Lake Hospital and Affiliated Organizations (Lake Pension), Pension Plan for Employees of Our Lady of Lourdes Regional Medical Center, Inc. (Lourdes Pension), and Retirement Plan for Employees of St. Francis Medical Center, Inc. (St. Francis Pension). Effective July 1, 2021, the Lake Pension, Lourdes Pension, and St. Francis Pension were merged into the FMOLHS Pension Plan for Franciscan Missionaries of Our Lady Health System, Inc (FMOLHS Pension Plan).

The Retirement Plan of St. Dominic Health Services, Inc. (St. Dominic Pension) was acquired on July 1, 2019 through the acquisition of St. Dominic Health Services, Inc. As of July 1, 2021, FMOLHS sponsors the FMOLHS Pension Plan and the St. Dominic Pension (collectively, the Plans).

In September of 2020, the System’s Board of Directors approved the freezing of the Lake Pension, Lourdes Pension, and St. Francis Pension effective January 1, 2021, and the defined-benefit plan participants were transitioned to a defined-contribution plan and their defined-benefit plan assets were frozen.

(In thousands)

The following table sets forth the Plans' benefit obligation, fair value of plan assets, and funded status at June 30, 2024 and 2023:

		2024	2023
Benefit obligation	$	(1,339,432)	(1,360,562)
Fair value of plan assets		1,121,878	1,114,808
Funded status	$	(217,554)	(245,754)

Amounts recognized in the consolidated balance sheets consist of accrued pension costs of $217,554 and $245,754 and accumulated unrealized gains of $190,196 and $202,273 in June 30, 2024 and 2023, respectively.

Change in benefit obligation of the plan includes the following:

		2024	2023
Interest costs	$	66,660	59,496
Actuarial gain		(20,456)	(26,748)
Benefits paid		(67,334)	(62,286)
	$	(21,130)	(29,538)

At June 30, 2024 and 2023, the net actuarial gain of $(20,456) and $(26,748), respectively, on projected benefit obligations for the FMOLHS and St. Dominic plans was a result of gains attributable to increasing discount rates due to changes in the corporate bond markets.

The System expects to contribute $6,300 to the St. Dominic Plan during the fiscal year beginning July 1, 2024. The System does not expect to contribute to the FMOLHS plan during the fiscal years beginning July 1, 2024.

The following table summarizes contributions made and benefits paid.

		2024	2023
Contribution made	$	11,000	—
Benefits paid		(67,334)	(62,286)

(In thousands)

Weighted average assumptions used to determine the projected benefit obligations at June 30, 2024 and 2023 were as follows:

	2024	2023
Interest crediting rate:		
St. Dominic Pension	4.31 %	3.75 %
Weighted average discount rate:		
FMOLHS Pension	5.44 %	5.08 %
St. Dominic Pension	5.39 %	5.07 %
Rate of compensation increase	N/A	N/A

Net periodic pension credit for the years ended June 30, 2024 and 2023 includes the following components:

	2024	2023
Interest cost on projected benefit obligation	$ 66,660	59,498
Expected return on plan assets	(73,892)	(71,325)
Amortization of actuarial losses	2,108	2,014
Net periodic pension credit	(5,124)	(9,813)
Other changes in plan assets and benefit obligations recognized in net assets without donor restrictions:		
Net actuarial gain	(9,968)	7,251
Actuarial (gain) loss	(2,108)	(2,014)
	(12,076)	5,237
Total recognized in net periodic benefit credit and net assets without donor restrictions	$ (17,200)	(4,576)

(In thousands)

Weighted average assumptions used to determine net periodic pension credit for the years ended June 30, 2024 and 2023 were as follows:

	2024	2023
Weighted average discount rate:		
FMOLHS Pension	5.06 %	4.42 %
St. Dominic Pension	5.08	4.37
Expected return on plan assets:		
FMOLHS Pension	7.30 %	6.80 %
St. Dominic Pension	5.60	5.60
Rate of compensation increase:		
FMOLHS Pension	N/A	N/A
St. Dominic Pension	N/A	N/A
Interest crediting rate:		
St. Dominic Pension	3.75 %	3.14 %

The defined-benefit pension plan asset allocation of the FMOLHS Pension, excluding St Dominic, as of the measurement date (June 30, 2024 and 2023) and the target asset allocation, presented as a percentage of total plan assets, were as follows:

	2024	2023	Target allocation
Growth	46 %	49 %	45%–60%
Diversifiers	21	19	10%–30%
Liability hedge	32	31	15%–35%
Cash	1	1	0%–5%

The defined-benefit pension plan asset allocation of the St. Dominic Pension as of the measurement date (June 30, 2024 and 2023) and the target asset allocation, presented as a percentage of total plan assets, were as follows:

	2024	2023	Target allocation
Growth	43 %	31 %	32%–53%
Diversifiers	5	5	0%–15%
Inflation sensitive	5	—	0%–10%
Liability hedge	43	61	34%–54%
Cash	4	3	0%–10%

The allocation percentages above reflect investments recognized by investee funds within one day of year-end.

The asset allocation policy provides for a range of minimum and maximum investments in each asset class to allow flexibility in achieving expected long-term rate of return. Historical return patterns and correlations, consensus return forecast, and other relevant financial factors are analyzed to check for reasonableness and appropriateness of the asset allocation to ensure that the probability of meeting actuarial assumptions is reasonable. The Investment Committee monitors manager performance, rate of return, and risk factors on a quarterly basis and makes required adjustments to achieve expected returns.

FMOLHS’s overall expected long-term rate of return on assets is 6.90% for both the FMOL Pension and the St. Dominic Pension. The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based on historical returns, without adjustments.

Asset allocations and investment performance are formally reviewed quarterly by the FMOLHS Investment Committee (Investment Committee). FMOLHS utilizes an investment adviser, multiple managers for different asset classes, and a separate custodian in managing the pooled funds.

The asset allocation is designed to provide a diversified mix of asset classes, including U.S. and foreign equity securities, fixed-income securities, hedge funds, real estate investment trusts, and cash. The investment goals for the pooled funds are to achieve returns in the top half of a representative universe of professionally managed funds with a percentage of equity, fixed income, and alternative investments to be indicative of the asset mix policy of the fund; to exceed the return of a balanced market index weighted to replicate the asset allocation policy of the plan; to exceed the rate of inflation as measured by the consumer price index by at least 500 basis points on an annualized basis; to achieve a positive risk-adjusted return; and to achieve a rate of return above the current actuarial assumption. Risk management practices include various criteria for each asset class, including measurement against various benchmarks, achievement of a positive risk-adjusted return, and investment guidelines for each class of assets that enumerate types of investments allowed in each category.

FMOLHS’s retirement plan assets are reported at fair value. Level 1 assets include investments in publicly traded equity securities and mutual funds. These securities (or the underlying investments of the funds) are actively traded and valued using quoted prices for identical securities from the market exchanges. Level 2 assets consist of investments that are not actively traded or whose underlying investments are valued using observable marketplace inputs. The fair value of plan assets invested in fixed-income securities is generally determined using valuation models that use observable inputs, such as interest rates, bond yields, low-volume market quotes, and quoted prices for similar assets. Level 3 assets include investments in private equities and hedge funds valued using significant unobservable inputs. Plan assets that are invested in commingled, hedge, and private equity funds are valued using a unit price or NAV that is based on the underlying investments of the fund.

(In thousands)

The following is a summary of the levels within the fair value hierarchy of plan assets as of June 30, 2024 and 2023:

	June 30, 2024			
	Level 1	**Level 2**	**Level 3**	**Total**
Asset category:				
Cash	$ 23,050	—	—	23,050
Equity:				
U.S. equity	16,311	—	—	16,311
Non-U.S. equity	13,102	—	—	13,102
Fixed Income	5,769	—	—	5,769
Real Assets	13,777	—	—	13,777
Fixed income	224,577	—	—	224,577
Assets measured at NAV(1)	—	—	—	825,292
Total	$ 296,586	—	—	1,121,878

	June 30, 2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Asset category:				
Cash	$ 15,066	—	—	15,066
Equity:				
U.S. equity	26,994	—	—	26,994
Non-U.S. equity	14,641	—	—	14,641
Fixed Income	3,244	—	—	3,244
Fixed income	280,823	—	—	280,823
Assets measured at NAV(1)	—	—	—	774,040
Total	$ 340,768	—	—	1,114,808

(1) Investments measured at fair value using NAV as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table for these investments are included to permit reconciliation of the fair value hierarchy to the total plan assets.

There were no transfers into or out of Level 1, Level 2, or Level 3 investments during fiscal year 2024 or 2023.

(In thousands)

The fair values of the following plan assets have been estimated using the NAV per share as of June 30, 2024 and 2023:

	2024	2023	Redemption terms**	Notice period (Days)	Remaining life**
Asset category:					
U.S. equity funds (a)	$ 101,576	93,896	Monthly–Quarterly	30–60	—
International equity funds (b)	165,882	147,258	Monthly	5–15	—
International emerging markets (c)	35,974	42,535	Semi-Monthly–Monthly	5–30	—
Fixed-income funds (d)	176,412	168,305	Daily–illiquid	2-illiquid	—
Hedge fund of funds (e)	186,249	171,968	Monthly–Illiquid	5-Illiquid	—
U.S. venture capital funds (f)	12,891	11,464	—	—	1–3 Years
U.S. private equity (f)	80,405	74,089	—	—	1–7 Years
International private equity (f)	43,491	44,617	—	—	1–10 Years
Natural resources (f)	7,805	8,047	—	—	1–8 Years
Real estate funds (f)	14,607	11,861	—	—	0–6 Years
Total	$ 825,292	774,040			

** Information reflects a range of various terms from multiple investments.

(a) Objective is to drive overall portfolio growth while also outperforming the Russell 3000 Index with similar levels of risk.

(b) Objective is to drive overall portfolio growth while also outperforming MSCI EAFE Index (Net) with similar levels of risk.

(c) Objective is to drive overall portfolio growth while also outperforming the MSCI Emerging Markets Index (Net) with similar levels of risk.

(d) Objective is to ensure a liquid source of capital for spending and/or rebalancing during a period of economic contraction by investing primarily in high-quality bonds of sufficient duration.

(e) Objective is to reduce the volatility inherent in a portfolio with an equity bias while providing: 1) a return between that of equities and bonds, 2) lower volatility than equity markets, and 3) low correlation to other portfolio assets.

(f) Objective is to drive growth while capturing an “illiquidity premium” above that of public equity markets for locking up capital for an extended period of time.

(In thousands)

At June 30, 2024, FMOLHS's, excluding St. Dominic, remaining outstanding commitments to private equity interests within the plan assets totaled $65,900. The projected capital calls for the next four fiscal years and thereafter are summarized in the table below:

	Projected capital calls
Fiscal year:	
2025	$ 14,100
2026	12,300
2027	12,800
2028	14,100
Thereafter	12,600
	$ 65,900

Private equity interests have 10-year terms, with extensions of 1 to 4 years. As of June 30, 2024, the average remaining life of the private equity interests in the FMOLHS plan assets is approximately 3.0 years.

At June 30, 2024, St. Dominic's remaining outstanding commitments to private equity interests within the plan assets totaled $10,600. The projected capital calls for the next four fiscal years and thereafter are summarized in the table below:

	Projected capital calls
Fiscal year:	
2025	$ 1,800
2026	1,100
2027	1,900
2028	2,600
Thereafter	3,200
	$ 10,600

Private equity interests have 10-year terms, with extensions of 1 to 4 years. As of June 30, 2024, the average remaining life of the private equity interests in the St. Dominic pension plan assets is approximately 9.9 years.

At June 30, 2024, FMOLHS had plan assets of $252,606, which were restricted from redemption for lock-up periods. Some of the investments with redemption restrictions allow early redemption for specified fees. The terms and conditions upon which an investor may redeem an investment vary, usually requiring 30 to 180 days' notice after the initial lock-up period.

(In thousands)

Based upon the terms and conditions in effect at June 30, 2024, FMOLHS's plan assets investments with restrictions can be redeemed or sold as follows:

		Amount
Fiscal year:		
2025	$	235,029
2026		9,437
2027		8,140
Thereafter		—
	$	252,606

As of June 30, 2024 and 2023, the Plans had accumulated benefit obligations (ABO) of $1,339,431 and $1,360,562, respectively. At June 30, 2024 and 2023, the fair value of plan assets falls short of the ABO by $217,553 and $245,754, respectively.

As of June 30, 2023, the estimated net loss and prior service cost that will be amortized from net assets without donor restrictions into net periodic benefit credit over the next fiscal year is $(10,792). There are no amounts expected to be amortized from net assets without donor restrictions into net periodic benefit credit over the next fiscal year at June 30, 2024.

Future benefit payments expected to be paid in each of the next five fiscal years and five years thereafter as of June 30, 2024 are as follows:

2025	$	73,198
2026		76,709
2027		80,248
2028		83,852
2029		86,146
2030–2034		461,077

(b) Defined-Contribution Plans

Effective January 1, 2021, all employees of FMOLHS and affiliates, meeting eligibility requirements, can participate in an enhanced 403(b) plan. Participants will qualify for annual employer contributions if they work at least 1,000 hours in the calendar year and are actively employed as of the last day of the calendar year in which their contribution applies. The 403(b) plan includes two types of employer contributions: an annual 2% of pay core contribution and an annual employer match of 50 cents for every dollar a team member contributes up to 6% of their pay.

(In thousands)

Contribution expense of $53,788 and $49,790 was recorded for the years ended June 30, 2024 and 2023, respectively.

(14) Other Long-Term Liabilities

The composition of other long-term liabilities at June 30, 2024 and 2023 is as follows:

	2024	2023
Purchase price obligation	$ 5,875	12,342
Contract liability	31,523	31,332
LSU contract liability	43,498	43,762
Due to Franciscan Fund	67,142	58,831
Other	13,702	8,952
	$ 161,740	155,219

(15) Functional Expenses

The FMOLHS Affiliates provide healthcare and other services to residents within its service area. Expenses related to providing these services for the years ended June 30, 2024 and 2023 are as follows:

2024	Educational	Fundraising	General and administrative	Healthcare services	HUD Program services	Total
Salaries and wages	$ 12,229	871	275,439	1,166,612	—	1,455,151
Employee benefits	2,831	108	49,438	205,685	—	258,062
Physician fees	—	—	5,884	168,866	—	174,750
Professional services	2	32	21,368	16,200	—	37,602
Other services	3,530	1,200	265,789	336,588	—	607,107
Leases, insurance, and utilities	1,728	1	44,248	72,364	—	118,341
Supplies	904	583	35,864	757,665	—	795,016
Depreciation and amortization	1,340	2	43,903	105,902	—	151,147
Interest	—	—	36,410	17	—	36,427
Other	84	3,946	8,901	2,683	—	15,614
	$ 22,648	6,743	787,244	2,832,582	—	3,649,217

(In thousands)

2023		Educational	Fundraising	General and administrative	Healthcare services	HUD Program services	Total
Salaries and wages	$	12,539	1,310	257,436	1,128,666	135	1,400,086
Employee benefits		3,184	349	48,275	196,730	46	248,584
Physician fees		—	—	7,187	146,729	—	153,916
Professional services		—	3	13,510	17,685	—	31,198
Other services		3,635	1,390	333,525	246,459	654	585,663
Leases, insurance, and utilities		2,026	1	46,701	77,126	197	126,051
Supplies		876	415	50,016	690,180	12	741,499
Depreciation and amortization		729	3	41,996	105,791	336	148,855
Interest		—	—	39,853	34	—	39,887
Other		33	2,257	2,992	3,464	—	8,746
	$	23,022	5,728	841,491	2,612,864	1,380	3,484,485

(16) Availability of Resources and Liquidity

In 2024, the System has $1,065,809 of financial assets available to meet cash needs for general expenditures within one year of the consolidated balance sheet date. Available financial assets consist of cash and cash equivalents of $788,838, short-term investments of $6,543, and patient accounts receivable, collectible within one year, of $270,428. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for expenditure within one year of the balance sheet date. The System has a goal to maintain cash and investments sufficient to cover operating expenses at levels that meet or exceed standards established by rating agencies for similar organizations. That goal is currently 200 days. With average daily operating expenses of approximately $10,000, the System’s financial asset coverage is approximately 262 days. The System has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

In 2023, the System has $755,469 of financial assets available to meet cash needs for general expenditures within one year of the consolidated balance sheet date. Available financial assets consist of cash and cash equivalents of $491,188, short-term investments of $6,232, and patient accounts receivable, collectible within one year, of $258,049. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for expenditure within one year of the balance sheet date. The System has a goal to maintain cash and investments sufficient to cover operating expenses at levels that meet or exceed standards established by rating agencies for similar organizations. That goal is currently 200 days. With average daily operating expenses of approximately $9,000, the System’s financial asset coverage is approximately 219 days. The System has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

(In thousands)

(17) Fair Value of Financial Instruments

The carrying amounts of all applicable asset and liability financial instruments reported in the consolidated balance sheets approximate their estimated fair values, in all significant respects, at June 30, 2024 and 2023, with the exception of long-term debt which is reported at amortized cost.

(a) Fair Value Hierarchy

The following tables present the placement in the fair value hierarchy of assets and liabilities that are measured at fair value on a recurring basis as of June 30, 2024 and 2023:

	June 30, 2024			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets category:				
Equity securities:				
U.S. equity	$ 228,202	—	—	228,202
Non-U.S. equity	66,905	—	—	66,905
Real assets	51,939	—	—	51,939
Fixed income	110,522	223,012	—	333,534
Total – categorized	$ 457,568	223,012	—	680,580
Assets limited as to use and short-term investments accounted for using the equity method and cash – uncategorized				1,260,758
				$ 1,941,338

	June 30, 2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets category:				
Equity securities:				
U.S. equity	$ 217,975	—	—	217,975
Non-U.S. equity	77,857	—	—	77,857
Real assets	10,909	—	—	10,909
Fixed income	95,350	140,259	—	235,609
Total – categorized	$ 402,091	140,259	—	542,350
Assets limited as to use and short-term investments accounted for using the equity method and cash – uncategorized				1,149,178
				$ 1,691,528

** Information reflects a range of various terms from multiple investments.

(a) Objective is to drive overall portfolio growth while also outperforming MSCI EAFE Index (Net) with similar levels of risk.

FMOLHS's accounting policy is to recognize transfers between levels of the fair value hierarchy on the date of the event or change in circumstances that caused the transfer. There were no significant transfers into or out of Level 1, Level 2, or Level 3 for the years ended June 30, 2024 or 2023.

The investments classified as Level 2 are as follows:

- Bonds whose fair values are determined by independent vendors. The vendors compile prices from various sources and may apply matrix pricing for similar bonds or loans where no price is observable in an actively traded market. If available, the vendor may also use quoted prices for recent trading activity of assets with similar characteristics to the bond being valued.

(b) Limitations

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

(18) Insurance Programs

The FMOLHS Affiliates, excluding St. Dominic, are qualified under the State of Louisiana medical malpractice program and are self-insured for the first $100 of professional liability per occurrence; additional coverage is provided by the Louisiana Patients' Compensation Fund for the next $400 of professional liability up to the present statutory maximum of $500 per claim (exclusive of additional amounts for future medical expenses provided by law). FMOLHS's professional and general liability insurance program is managed through Louise, its wholly owned captive insurer. As of June 30, 2024, FMOLHS has excess insurance coverage in place for general and professional liability risks, with a $2,000 self-insured retention for professional liability and a $1,000 layer of self-insurance for general liability. A $6,000 aggregate sits above these limits, covering general and professional liability. Incurred losses identified under FMOLHS's incident reporting system and incurred but not reported losses are accrued based on estimates that incorporate FMOLHS's past experience, as well as other considerations, such as the nature of each claim or incident, relevant trend factors, and advice from consulting actuaries.

FMOLHS has established a self-insurance trust fund for payment of liability claims and makes deposits to the fund in amounts determined by consulting actuaries. FMOLHS also has substantial excess liability coverage available under the provisions of certain claims-made policies, currently expiring on June 30, 2025. To the extent that any claims-made coverage is not renewed or replaced with equivalent value insurance, claims based on occurrences during the term of such coverage, but reported subsequently, would be uninsured. Management believes, based on incidents identified through the incident reporting process that any such claims would not have a material effect on FMOLHS's results of operations or financial position. In any event, management anticipates that the claims-made coverage currently in place will be renewed or replaced with equivalent insurance as the term of such coverage expires.

(In thousands)

St. Dominic Jackson Memorial Hospital is self-insured with respect to professional and general liability risks for the first $5,000 per occurrence and $10,000 in aggregate of medical malpractice risks. St. Dominic Jackson Memorial Hospital purchases commercial excess liability coverage through claims-made policies above the self-insurance limits. Professional liability reserves estimates represent the estimated ultimate cost of all reported and unreported losses incurred through the respective consolidated balance sheet date. The reserves for unpaid losses and loss expense are estimated using individual case basis valuations and actuarial analyses. Those estimates are subject to the effects of trends in loss severity and frequency. The estimates are continually reviewed, and adjustments are recorded as experience develops or new information becomes known. Although considerable variability is inherent in professional liability reserve estimates, St. Dominic Jackson Memorial Hospital believes the reserves for losses and loss expense are adequate based on information currently known.

The reserve for long-term estimated professional and general liability, and workers' compensation costs is approximately $68,504 and $63,670 as of June 30, 2024 and 2023, respectively.

FMOLHS is also self-insured with respect to employee health coverage (up to $500 limit per claim) and workers' compensation (up to a limit of $500 per individual claim). Substantial coverage with a third-party carrier is maintained for potential excess losses under the workers' compensation program. The employee health self-insured reserves are approximately $9,527 and $8,265 as of June 30, 2024 and 2023, respectively, and are included in other current liabilities in the consolidated balance sheets. The workers' compensation reserves are approximately $20,347 and $19,562 as of June 30, 2024 and 2023, respectively, and are included in other current liabilities in the consolidated balance sheets.

(19) Leases – Lessor

FMOLHS Affiliates lease office space and clinical facilities under operating leases. The terms of these leases range from month to month to 20 years. Assets held for lease at June 30, 2024 and 2023 consist of buildings and improvements with an original cost of $403,714 and $388,657, respectively, and fixed equipment with an original cost of $21,770 and $20,999, respectively. Total accumulated depreciation is $200,436 and $184,842 at June 30, 2024 and 2023, respectively. Future minimum lease payments to be received at June 30, 2024 are as follows:

Year ending June 30:		
2025	$	12,884
2026		9,226
2027		8,230
2028		7,375
2029		6,653
Thereafter		17,421
	$	61,789

(In thousands)

(20) Leases – Lessee

The components of lease cost for the year ended June 30, 2024 and 2023 were as follows:

		2024	2023
Operating lease cost	$	25,652	23,731
Finance lease cost:			
Amortization of ROU assets		7,910	6,413
Interest on lease liabilities		2,666	2,622
Total finance lease cost		10,576	9,035
Variable lease cost		1,620	1,875
Short-term lease cost		3,965	6,232
Total lease cost	$	41,813	40,873

Amounts reported in the consolidated balance sheets for the System’s operating and finance leases as of June 30, 2024 and 2023 were as follows:

		2024	2023
Operating leases:			
Operating lease ROU assets, net	$	96,502	51,817
Current portion of operating lease liabilities	$	21,529	19,367
Operating lease liabilities, less current portion		69,721	30,739
Total operating lease liabilities	$	91,250	50,106
Finance leases:			
Machinery and equipment	$	63,733	63,865
Accumulated depreciation		(25,188)	(18,631)
Property and equipment, net	$	38,545	45,234
Current portion of finance lease liabilities	$	5,123	5,353
Finance lease liabilities, less current portion		39,606	46,426
Total finance lease liabilities	$	44,729	51,779

(In thousands)

Other information related to leases as of June 30, 2024 and 2023 was as follows:

		2024	2023
Supplemental cash flow information:			
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flow from operating leases	$	27,272	25,606
Operating cash flow from finance leases		10,576	9,035
ROU assets obtained in exchange for lease obligations:			
Operating leases	$	29,655	7,120
Finance leases		—	—
Reductions to ROU assets resulting from reductions to lease obligations:			
Operating leases	$	(11,963)	(6,135)
Finance leases		(25,188)	(6,618)
Weighted average remaining lease term:			
Operating leases		13 years	12 years
Finance leases		7 years	9 years
Weighted average discount rate:			
Operating leases		3.66 %	3.66 %
Finance leases		3.66	3.66

Maturities of lease liabilities under noncancellable leases as of June 30, 2024 are as follows:

		Operating leases	Finance leases
Year ending June 30:			
2025	$	23,715	7,816
2026		14,827	7,073
2027		12,398	4,465
2028		11,018	4,374
2029		9,916	3,252
Thereafter		28,637	41,000
Total undiscounted lease payments		100,511	67,980
Less imputed interest		(9,261)	(23,251)
Total lease liabilities	$	91,250	44,729

(21) Commitments and Contingencies

(a) Investments

FMOLHS is obligated under certain limited partnership agreements to provide advance funding up to specific levels upon the request of the general partner. See note 2(b).

(b) Contingent Liabilities

FMOLHS and the FMOLHS Affiliates have 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 self-insurance reserves or insurance coverage, and will not materially affect the financial position or the results of operations.

(c) Regulatory Compliance

Grant monies received and disbursed by the System are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon prior experience, the System does not believe that such disallowances, if any, would have a material effect on the financial position of the System.

The U.S. Department of Justice and other federal agencies are increasing resources dedicated to regulatory investigations and compliance audits of healthcare providers. The FMOLHS Affiliates are subject to these regulatory efforts and have corporate compliance committees that monitor and respond to regulatory changes and any issues that may arise.

In consultation with legal counsel, management is not aware of any issues that could have a material adverse effect on the FMOLHS Affiliates' financial position or results of operations.

(d) Our Lady of the Lake and Louisiana State University Partnership

In June 2022, the System entered into an affiliation agreement with Louisiana State University (LSU). This agreement includes funding for research, student health services and a student health center, continuation and expansion of residency and fellowship programs, construction of a new science building, recognition as exclusive championship healthcare partner and programmatic support fund for LSU athletics, and commitment to develop efficiencies in the cost of health and wellness for athletic programs. Payments are due in varying installments through 2032. As of June 30, 2024, the remaining commitments were $43,498 recorded in other current liabilities and $8,200 in other long-term liabilities in the consolidated balance sheets.

(22) Cooperative Endeavor Agreements

(a) Our Lady of the Lake Cooperative Endeavor Agreement

As part of its mission to ensure an appropriate supply of medical professionals in its service area and improve graduate medical education in the region, the Lake entered into an agreement with the State of Louisiana Department of Health and Hospitals (DHH) and Louisiana State University Health Sciences (LSU Health) in February 2010. The parties received associated governmental approval of the agreement from the CMS on July 13, 2010.

(Continued)

The Cooperative Endeavor Agreement was amended on April 10, 2013 to ensure viability of existing LSU Health outpatient facilities and patient care services and programs. The major components of the Lake's amended agreement include:

- The Lake manages and operates the operations of LSU Health outpatient facilities. The reimbursement structure of the agreement was revised to include payment to the Lake for the operations of these facilities. Lease agreements were implemented for LSU Health outpatient facilities and equipment.
- Graduate Medical Education (GME) program amendments were implemented for assignment of GME reimbursement caps.
- Clinical service agreements were implemented with LSU School of Medicine to provide professional services at the LSU Health clinics.
- For the years ended June 30, 2024 and 2023, the amount paid to LSU Health for leased building and equipment, GME faculty and resident expenses, and costs of clinical services associated with the Cooperative Endeavor Agreement was $44,636 and $56,394, respectively.

In addition to Medicaid claims payments, DHH provided payments under a reimbursement structure to the Lake, which are intended to compensate the Lake for incremental costs associated with higher Medicaid and uninsured patient volumes that have occurred with the Lake's increased role in LSU Health's graduate medical education program. Starting July 1, 2022, DHH implemented a new Medicaid supplemental payment system. For the period July 1, 2022 through June 30, 2024 DHH and the Lake agreed to eliminate the Cooperative Endeavor Agreement (CEA) Cost Analysis Worksheets. DHH and the Lake agreed that the payments received under the new payment model will not be subject to the CEA reconciliation and there will be no separate settlement for the CEA for fiscal years ending June 30, 2024 and 2023.

(23) Subsequent Events

FMOLHS has evaluated subsequent events from the balance sheet date through October 18, 2024 the date at which the consolidated financial statements were issued, and determined that there were no additional items to disclose.

FRANCISCAN MISSIONARIES OF OUR LADY HEALTH SYSTEM, INC. AND AFFILIATED ORGANIZATIONS

Consolidating Schedule – Balance Sheet Information

June 30, 2024
(with comparative totals as of June 30, 2023)

(In thousands)

Assets	Franciscan Missionaries of Our Lady Health System, Inc. and subsidiaries	Franciscan Missionaries of Our Lady University, Inc.	Our Lady of the Lake Regional Medical Center, Inc. and affiliated organizations	St. Francis Medical Center Inc. and subsidiaries	Our Lady of Lourdes Regional Medical Center, Inc. and subsidiaries	Our Lady of the Angels Hospital	St Dominic	Eliminations	Total 2024	Total 2023
Current assets:										
Cash and cash equivalents	$ 673,880	14,658	272,469	23,481	144,868	22,995	77,726	(441,239)	788,838	491,188
Short-term investments	6,543	—	—	—	—	—	—	—	6,543	6,232
Net patient accounts receivables	(1,154)	—	134,163	32,837	50,889	(3,654)	57,347	—	270,428	258,049
Other current assets	(633,643)	273	586,589	(11,137)	275,137	23,644	(21,015)	(1,285)	218,563	195,936
Total current assets	45,626	14,931	993,221	45,181	470,894	42,985	114,058	(442,524)	1,284,372	951,405
Assets limited as to use, net of current portion	1,878,847	—	1,358,546	114,670	35,854	28,232	221,485	(1,743,088)	1,894,546	1,665,037
Property and equipment, net	45,421	31,499	840,993	117,392	269,507	32,293	305,291	—	1,642,396	1,681,875
Other assets	447,001	13,270	227,086	11,123	42,791	232	19,103	(387,780)	372,826	382,665
Total assets	$ 2,416,895	59,700	3,419,846	288,366	819,046	103,742	659,937	(2,573,392)	5,194,140	4,680,982
Liabilities and Net Assets										
Current liabilities:										
Line of credit	$ —	—	500	—	—	—	—	—	500	—
Current installments of long-term debt	—	—	4,664	1,370	1,114	—	1,675	—	8,823	6,803
Current portion of lease obligations	1,604	—	12,851	403	3,670	5,399	2,725	—	26,652	24,720
Accounts payable	36,426	937	86,767	13,636	13,523	3,831	18,531	—	173,651	172,508
Other current liabilities	147,296	2,277	187,728	26,794	50,855	9,557	43,731	(1,285)	466,953	397,497
Total current liabilities	185,326	3,214	292,510	42,203	69,162	18,787	66,662	(1,285)	676,579	601,528
Professional and general liabilities	44,397	—	19,207	5,960	10,744	219	29,007	(41,030)	68,504	63,670
Long-term debt, excluding current installments	16,916	18,581	509,606	111,644	220,830	—	20,618	—	898,195	908,046
Lease obligations, excluding current portion	1,028	—	69,367	459	11,550	19,448	7,475	—	109,327	77,165
Accrued pension cost	—	—	87,143	19,278	26,431	—	84,702	—	217,554	245,754
Other long-term liabilities	1,805,650	—	265,006	18,204	131,366	22,771	103,070	(2,184,327)	161,740	155,219
Total liabilities	2,053,317	21,795	1,242,839	197,748	470,083	61,225	311,534	(2,226,642)	2,131,899	2,051,382
Net assets:										
Without donor restrictions	363,574	23,471	2,129,120	86,070	334,155	42,517	331,166	(346,746)	2,963,327	2,537,983
With donor restrictions	4	14,434	19,273	4,548	7,774	—	15,429	(4)	61,458	56,135
Total net assets attributable to Franciscan Missionaries of Our Lady Health System, Inc.	363,578	37,905	2,148,393	90,618	341,929	42,517	346,595	(346,750)	3,024,785	2,594,118
Noncontrolling interests	—	—	28,614	—	7,034	—	1,808	—	37,456	35,482
Total net assets	363,578	37,905	2,177,007	90,618	348,963	42,517	348,403	(346,750)	3,062,241	2,629,600
Total liabilities and net assets	$ 2,416,895	59,700	3,419,846	288,366	819,046	103,742	659,937	(2,573,392)	5,194,140	4,680,982

See accompanying independent auditors' report.

FRANCISCAN MISSIONARIES OF OUR LADY HEALTH SYSTEM, INC. AND AFFILIATED ORGANIZATIONS

Consolidating Schedule – Statement of Operations and Changes in Net Assets Without Donor Restrictions Information

Year ended June 30, 2024
(with comparative totals year ended June 30, 2023)

(In thousands)

	Franciscan Missionaries of Our Lady Health System, Inc. and subsidiaries	Franciscan Missionaries of Our Lady University, Inc.	Our Lady of the Lake Regional Medical Center, Inc. and affiliated organizations	St. Francis Medical Center, Inc. and subsidiaries	Our Lady of Lourdes Regional Medical Center, Inc. and subsidiaries	Our Lady of the Angels Hospital	St Dominic	Eliminations	Total 2024	Total 2023
Changes in net assets without donor restrictions:										
Operating revenues:										
Net patient service revenue	$ —	—	1,836,680	413,127	603,943	61,014	574,124	(6,333)	3,482,555	3,151,146
Other revenue	538,276	24,050	180,003	13,671	16,756	3,382	29,643	(467,131)	338,650	261,916
Equity in income from equity investees, net	19,158	—	3,540	694	4,878	—	(4,539)	(23,527)	204	7,574
Total operating revenues	557,434	24,050	2,020,223	427,492	625,577	64,396	599,228	(496,991)	3,821,409	3,420,636
Net assets released from restrictions used for operations:										
Satisfaction of program restrictions	19	1,303	4,255	2	218	—	269	—	6,066	3,355
Expiration of time restrictions	—	—	—	—	—	—	—	—	—	221
Total net assets released from restrictions used for operations	19	1,303	4,255	2	218	—	269	—	6,066	3,576
Total operating revenues and other support	557,453	25,353	2,024,478	427,494	625,795	64,396	599,497	(496,991)	3,827,475	3,424,212
Operating expenses:										
Salaries and wages	175,966	14,328	664,852	155,100	196,823	31,656	216,426	—	1,455,151	1,400,086
Employee benefits	38,017	3,317	106,806	26,872	35,751	6,079	41,256	(36)	258,062	248,584
Total salaries, wages, and employee benefits	213,983	17,645	771,658	181,972	232,574	37,735	257,682	(36)	1,713,213	1,648,670
Physician fees	870	—	100,971	15,648	16,801	6,218	34,242	—	174,750	153,916
Professional services	7,801	84	18,580	5,214	853	111	4,959	—	37,602	31,198
Other services	183,488	6,337	425,512	84,089	114,518	20,276	125,474	(352,587)	607,107	585,663
Leases, insurance, and utilities	25,974	2,062	49,416	10,599	18,950	7,315	20,909	(16,884)	118,341	126,051
Supplies	138,072	1,137	385,488	100,855	132,979	6,025	134,416	(103,956)	795,016	741,499
Depreciation and amortization	24,556	1,574	67,638	14,287	16,053	1,436	25,603	—	151,147	148,855
Interest	1,604	785	21,862	2,444	8,279	—	1,453	—	36,427	39,887
Other	2,559	103	6,206	1,498	363	165	4,720	—	15,614	8,746
Total operating expenses	598,907	29,727	1,847,331	416,606	541,370	79,281	609,458	(473,463)	3,649,217	3,484,485
Operating income (loss) before impairment and gain on sale	(41,454)	(4,374)	177,147	10,888	84,425	(14,885)	(9,961)	(23,528)	178,258	(60,273)
Impairment	—	—	—	—	—	—	—	—	—	(534)
Gain on sale of property and equipment	—	—	9,882	—	—	—	—	—	9,882	7,836
Operating income (loss)	(41,454)	(4,374)	187,029	10,888	84,425	(14,885)	(9,961)	(23,528)	188,140	(52,971)

(Continued)

Schedule 2

FRANCISCAN MISSIONARIES OF OUR LADY HEALTH SYSTEM, INC. AND AFFILIATED ORGANIZATIONS

Consolidating Schedule – Statement of Operations and Changes in Net Assets Without Donor Restrictions Information

Year ended June 30, 2024
(with comparative totals year ended June 30, 2023)

(In thousands)

	Franciscan Missionaries of Our Lady Health System, Inc. and subsidiaries	Franciscan Missionaries of Our Lady University, Inc.	Our Lady of the Lake Regional Medical Center, Inc. and affiliated organizations	St. Francis Medical Center, Inc. and subsidiaries	Our Lady of Lourdes Regional Medical Center, Inc. and subsidiaries	Our Lady of the Angels Hospital	St Dominic	Eliminations	Total 2024	Total 2023
Nonoperating gains:										
Investment return	$ 6,426	846	174,527	14,820	9,055	3,763	25,075	—	234,512	157,499
Other	—	—	—	—	—	—	589	—	589	8,357
Total nonoperating gains, net	6,426	846	174,527	14,820	9,055	3,763	25,664	—	235,101	165,856
Revenues, gains, and other support in excess of (less than) expenses and losses before noncontrolling interest	(35,028)	(3,528)	361,556	25,708	93,480	(11,122)	15,703	(23,528)	423,241	112,885
Noncontrolling interests	—	—	(18,943)	—	(182)	—	(94)	—	(19,219)	52,586
Revenues, gains, and other support in excess of (less than) expenses and losses attributable to Franciscan Missionaries of Our Lady Health System, Inc.	(35,028)	(3,528)	342,613	25,708	93,298	(11,122)	15,609	(23,528)	404,022	165,471
Pension-related changes other than net periodic pension credit	—	—	1,739	385	527	—	9,425	—	12,076	(5,237)
Released from restrictions for capital	—	60	2,708	22	3,459	—	1,915	—	8,164	1,178
Other	24,474	4,434	(43,679)	4,835	(2,114)	17,087	(3,955)	—	1,082	2,258
Increase (decrease) in net assets without donor restrictions	$ (10,554)	966	303,381	30,950	95,170	5,965	22,994	(23,528)	425,344	163,670

See accompanying independent auditors' report.

Schedule 3

FRANCISCAN MISSIONARIES OF OUR LADY HEALTH SYSTEM, INC. AND AFFILIATED ORGANIZATIONS

Consolidating Schedule – Statement of Changes in Net Assets Information

Year ended June 30, 2024
(with comparative totals year ended June 30, 2023)

(In thousands)

	Franciscan Missionaries of Our Lady Health System, Inc. and subsidiaries	Franciscan Missionaries of Our Lady University, Inc.	Our Lady of the Lake Regional Medical Center, Inc. and affiliated organizations	St. Francis Medical Center, Inc. and subsidiaries	Our Lady of Lourdes Regional Medical Center, Inc. and subsidiaries	Our Lady of the Angels Hospital	St Dominic	Eliminations	Total 2024	Total 2023
Changes in net assets without donor restrictions:										
Revenues, gains, and other support in excess of (less than) expenses and losses attributable to Franciscan Missionaries of Our Lady Health System	$ (35,028)	(3,528)	342,613	25,708	93,298	(11,122)	15,609	(23,528)	404,022	165,471
Pension-related changes other than the service credit (cost)	—	—	1,739	385	527	—	9,425	—	12,076	(5,237)
Released from restrictions for capital	—	60	2,708	22	3,459	—	1,915	—	8,164	1,178
Other	24,474	4,434	(43,679)	4,835	(2,114)	17,087	(3,955)	—	1,082	2,258
Increase (decrease) in assets without donor restrictions	(10,554)	966	303,381	30,950	95,170	5,965	22,994	(23,528)	425,344	163,670
Changes in net assets with donor restrictions:										
Contributions	—	3,791	7,344	2,766	3,423	—	846	—	18,170	11,054
Income from long-term investments, net	—	—	544	—	—	—	839	—	1,383	375
Net assets released from restrictions	(19)	(1,363)	(6,963)	(24)	(3,677)	—	(2,184)	—	(14,230)	(11,539)
Increase (decrease) in net assets with donor restrictions	(19)	2,428	925	2,742	(254)	—	(499)	—	5,323	(110)
Changes in noncontrolling interests:										
Revenues, gains, and other support in excess of (less than) expenses and losses	—	—	18,944	—	182	—	93	—	19,219	(52,586)
Distributions	—	—	(17,371)	—	(72)	—	—	—	(17,443)	(17,124)
Change in non-controlling interest	—	—	—	—	—	—	—	—	—	72,207
Other	—	—	—	—	464	—	(266)	—	198	(232)
Increase (decrease) in noncontrolling interests	—	—	1,573	—	574	—	(173)	—	1,974	2,265
Increase (decrease) in net assets	(10,573)	3,394	305,879	33,692	95,490	5,965	22,322	(23,528)	432,641	165,825
Net assets, beginning of year	374,151	34,511	1,871,128	56,926	253,473	36,552	326,081	(323,222)	2,629,600	2,463,775
Net assets, end of year	$ 363,578	37,905	2,177,007	90,618	348,963	42,517	348,403	(346,750)	3,062,241	2,629,600

See accompanying independent auditors' report.

Schedule of Compensation Information

Franciscan Missionaries of Our Lady Health System, Inc.

Schedule of Compensation Information

Year Ended June 30, 2023

Chief Executive Officer: Dr. Richard Vath

None of the Chief Executive Officer’s compensation is paid from public funds received by Franciscan Missionaries of Our Lady Health System and its affiliates.

Report under Uniform Guidance

FRANCISCAN MISSIONARIES OF OUR LADY HEALTH SYSTEM, INC. AND AFFILIATED ORGANIZATIONS

Report on Federal Awards in Accordance with the Uniform Guidance

Year Ended June 30, 2024

(With Independent Auditors' Report Thereon)

FRANCISCAN MISSIONARIES OF OUR LADY HEALTH SYSTEM, INC.
AND AFFILIATED ORGANIZATIONS

Table of Contents

KPMG LLP
Suite 2150
301 Main Street
Baton Rouge, LA 70801

Independent Auditors' 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*

The Board of Trustees
Franciscan Missionaries of Our Lady Health System, Inc.:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Franciscan Missionaries of Our Lady Health System, Inc. and affiliated organizations (the System), which comprise the System's consolidated balance sheets as of June 30, 2024, and the related consolidated statements of operations and changes in net assets without donor restrictions, 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 October 18, 2024.

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 the 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 financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not 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 statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

KPMG LLP

Baton Rouge, Louisiana
October 18, 2024

KPMG LLP
Suite 1900
111 Congress Avenue
Austin, TX 78701-4091

Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

The Board of Trustees
Franciscan Missionaries of Our Lady Health System, Inc.:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Franciscan Missionaries of Our Lady Health System, Inc. and affiliated organizations' (the System) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the System's major federal programs for the year ended June 30, 2024. The System's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the System complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the System and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the System's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the System's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the System's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the System's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 System's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the System's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2024-001. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the System's response to the noncompliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The System is also responsible for preparing a corrective action plan to address the audit finding included in our auditors' report. The System's response and corrective action plan were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response or the corrective action plan.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

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

We have audited the consolidated financial statements of the System as of and for the year ended June 30, 2024, and have issued our report thereon dated October 18, 2024, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

Austin, Texas
December 20, 2024

FRANCISCAN MISSIONARIES OF OUR LADY HEALTH SYSTEM, INC
AND AFFILIATED ORGANIZATIONS

Schedule of Expenditures of Federal Awards

Year ended June 30, 2024

Federal sponsor/program title	Federal assistance listing number	Pass-through award number	Pass-through entity	Direct expenditures	Pass-through expenditures	Total expenditures
Student Financial Assistance Cluster:						
U.S. Department of Education:						
Federal Work-Study Program (FWS)	84.033			$ 69,673	—	69,673
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007			93,770	—	93,770
Federal Pell Grant Program	84.063			1,364,730	—	1,364,730
Federal Direct Student Loans (Direct Loan)	84.268			15,736,882	—	15,736,882
Total Student Financial Assistance Cluster				17,265,055	—	17,265,055
Child Care Access Means Parents in School	84.335			6,675	—	6,675
COVID-19 – Education Stabilization Fund – Higher Education Emergency Relief Fund (HEERF) – Institutional Portion	84.425F			316,239	—	316,239
Total U.S. Department of Education				17,587,969	—	17,587,969
Research and Development Cluster:						
U.S. Department of Health and Human Services:						
Trans-NIH Research Support	93.310	2020-054-OLOL-001	LSU Pennington Biomedical Research	24,676	—	24,676
Total U.S. Department of Health and Human Services				24,676	—	24,676
Total Research and Development Cluster				24,676	—	24,676
U.S. Department of Commerce:						
Economic Development Administration	11.020	BRHD-OLOL-0200056-01	Baton Rouge Health District	30,000	—	30,000
Total U.S. Department of Commerce				30,000	—	30,000
U.S. Department of Housing and Urban Development:						
Housing Opportunities for Persons with AIDS	14.241	HOPWA-12-0003	City of Baton Rouge	92,580	—	92,580
Total U.S. Department of Housing and Urban Development				92,580	—	92,580
U.S. Environmental Protection Agency:						
State Environmental Justice Cooperative Agreement Program (SEJCA)/COVID-19 Projects	66.312	2000535333	Louisiana Department of Health	49,756	—	49,756
Total U.S. Environmental Protection Agency				49,756	—	49,756
U.S. Department of Health and Human Services:						
Nurse Anesthetist Traineeships	93.124			33,247	—	33,247
Emergency Medical Services for Children	93.127			14,926	—	14,926
Coordinated Services and Access to Research for Women, Infants, Children, and Youth – Ryan White Part D	93.153			370,446	—	370,446
Coordinated Services and Access to Research for Women, Infants, Children, and Youth – Ryan White Part D Affected	93.153	H12HA24808	Louisiana State University Health System	65,737	—	65,737
Total ALN				484,356	—	484,356
Congressional Directives	93.493			957,722	—	957,722
COVID-19 - Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	93.498			9,128,716	—	9,128,716
Ending the HIV Epidemic: A Plan for America - Ryan White HIV/AIDS Program Parts A and B	93.686	H89HA11432-15-02	City of Baton Rouge	177,139	—	177,139
Aging Research-Impact Minds	93.866	TUL-HSC-560639-22/23	Tulane University	29,311	—	29,311
Leveraging Local Health System Electronic Health Record Data to Enhance Health Record Data to Enhance PrEP Access in Southeastern Louisiana: A Community-Informed Approach	93.855	303000880	Duke University	4,807	—	4,807
National Bioterrorism Hospital Preparedness Program	93.889	059583	Louisiana Hospital Association	138,423	—	138,423
HIV Emergency Relief Project Grants – Ryan White Part A	93.914	H89HA11432-15-02	City of Baton Rouge	321,891	—	321,891
HIV Emergency Relief Project Grants – Aids United/The Fenway Institute	93.914	U90HA42153-0101	Aids United	197,882	—	197,882
Total ALN				10,955,891	—	10,955,891
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease – Ryan White Part C	93.918			408,561	—	408,561
Total U.S. Department of Health and Human Services				11,848,808	—	11,848,808
Corporation for National and Community Service:						
Foster Grandparent/Senior Companion Cluster	94.016			173,535	—	173,535
Total Corporation for National and Community Service				173,535	—	173,535
U.S. Department of Homeland Security:						
COVID-19 – Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	not available	State of Louisiana	10,489,849	—	10,489,849
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	not available	State of Louisiana	1,823,982	—	1,823,982
Total U.S. Department of Homeland Security				12,313,831	—	12,313,831
Total federal expenditures				$ 42,121,155	—	42,121,155

See accompanying independent auditors' report and notes to schedule of expenditures of federal awards.

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Franciscan Missionaries of Our Lady Health System, Inc. and affiliated organizations (the System) under programs of the federal government for the year ended June 30, 2024. The amounts reported as federal expenditures were obtained from the System's general ledger. Because the Schedule presents only a selected portion of the operations of the System, it is not intended to and does not present the financial position, results of operations, changes in net assets, and cash flows of the System.

For purposes of the Schedule, federal expenditures include all grants, contracts, and similar agreements entered into directly between the System, the agencies and departments of the federal government, and all subawards to the System by nonfederal organizations pursuant to federal grants, contracts, and similar agreements. The information in the Schedule is presented in accordance with the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*.

(2) Summary of Significant Accounting Policies

For purposes of the Schedule, expenditures of federal award programs are recognized on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The System has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

(3) Provider Relief Funds (ALN 93.498)

As required by the granting agency, the Provider Relief Fund (PRF) amounts presented in the Schedule represent lost revenues and expenses as reported to the U.S. Department of Health and Human Services for the PRF Portal Reporting time periods of January 1, 2020 to June 30, 2024. The System did not file any Period 7 reports.

(4) Federal Direct Student Loans (ALN 84.268)

The System's Federal Direct Student Loans (Direct Loans) included in the Schedule represent loans received by students during fiscal year 2024, which were not made by the System. The System is responsible only for the performance of certain administrative duties with respect to its Direct Loans Program, and accordingly, these loans are not included in its consolidated financial statements. The System is not required to maintain the balance of the loans outstanding to students and former students of the System under these programs. Such balances are maintained and administered by the lenders and guarantors of these loans.

During the year ended June 30, 2024, the System advanced the following amounts of new loans under the Direct Loan Program:

	Assistance listing number		Amount expended
Unsubsidized direct loans	84.268	$	7,265,059
Subsidized direct loans	84.268		1,415,068
Parents' loans for undergraduate students	84.268		528,592
Parents' loans for graduate students	84.268		6,528,163
Total		$	15,736,882

(5) Relationship to Consolidated Financial Statements

Federal expenditures are reported in the System's 2024 consolidated financial statements as follows:

Total expenditures under federal grants and contracts included in other revenue in the consolidated financial statements of the System	$	16,275,844
Less: Expenses not incurred in SEFA		(548,460)
COVID-19 Provider Relief Fund and American Rescue Plan(ARP) Rural Distribution recognized in prior years		9,128,716
Federal Supplemental Education Opportunity Grant – agency transactions		93,770
Federal Pell Grant Program – agency transactions		1,364,730
Federal Direct Student Loans (Direct Loan) – agency transactions		15,736,882
Federal Work Study		69,673
Federal expenditures per the schedule	$	42,121,155

(6) Expenditures of Federal Awards to Subrecipients

The System did not pass through any expenditures of federal awards to subrecipients during 2024.

FRANCISCAN MISSIONARIES OF OUR LADY HEALTH SYSTEM, INC.
AND AFFILIATED ORGANIZATIONS

Schedule of Findings and Questioned Costs

Year ended June 30, 2024

(1) Summary of Auditors’ Results

(a) Type of report issued on whether the consolidated financial statements were prepared in accordance with U.S. generally accepted accounting principles: **Unmodified**

(b) Internal control deficiencies over financial reporting disclosed by the audit of the financial statements:

- Material weaknesses: **No**
- Significant deficiencies: **None reported**

(c) Noncompliance material to the financial statements: **No**

(d) Internal control deficiencies over major programs disclosed by the audit:

- Material weaknesses: **No**
- Significant deficiencies: **None reported**

(e) Type of report issued on compliance for major program: **Unmodified**

(f) Audit findings that are required to be reported in accordance with 2 CFR 200.516(a): **Yes**

(g) Major programs:

- COVID-19 – Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution – ALN 93.498
- Student Financial Aid Assistance Cluster – ALN 84.033, 84.007, 84.063, 84.268
- COVID-19 – Disaster Grants-Public Assistance (Presidentially Declared Disasters) and – Disaster Grants-Public Assistance (Presidentially Declared Disasters) – ALN 97.036

(h) Dollar threshold used to distinguish between Type A and Type B programs: **$1,263,635**

(i) Auditee qualified as a low-risk auditee: **No**

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

None

(3) Findings and Questioned Costs Relating to Federal Awards

Finding No: 2024-001 Allowable Costs/Cost Principles

Federal Agency: U.S. Department of Homeland Security

Pass-Through Entities: N/A

Assistance Listing Number: 97.036

Federal Program: COVID-19 – Disaster Grants-Public Assistance (Presidentially Declared Disasters)

Federal Award Year: Disaster 711118, declaration date March 24, 2020

Criteria or Requirement

Section 200.430 compensation - personal services, more specifically (i) standards for documentation of personnel expenses notes charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed.

Condition Found

A Kronos ransomware attack did not allow the time tracking to work for the December 2021 pay period. In order to pay the employees, the System estimated the hours incurred based on an average of the last three pay cycles. Consistent with other employes impacted from this ransomware attack, the approximate 50 employees in this Federal Emergency Management Agency (FEMA) claim were asked to true-up their time for actual hours. For this pay period, the System claimed the estimated payroll of approximately $116,600 with FEMA. The System did not adjust the payroll claimed for FEMA reimbursement in subsequent months. Of the 40 sample items, two were selected from the above pay period and subsequent time sheets noted actual hours incurred were less than the estimated amount for approximately $300.

Possible Cause

The System's level of detail of tracking the adjustments was not sufficient to identify the amount that should have been adjusted with FEMA. The System has support for the estimated calculation.

Questioned Cost

$300

Effect

Failure to properly maintain adequate support for each expenditure may prevent the System from being in compliance with the requirements set forth by the Uniform Guidance.

Statistical Validity

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding in the Prior Year

A similar finding was not reported in prior year audit.

Recommendation

The System should be reminded to maintain documentation of actual time incurred when charging payroll to a federal award or to identify other allowable costs to claim.

View of Responsible Officials

Management concurs with this finding. Effective December 2021, the Kronos time tracking module was resolved.

Agreed-Upon Procedures

KPMG LLP
Suite 2150
301 Main Street
Baton Rouge, LA 70801

Independent Accountants' Agreed-Upon Procedures Report

The Board of Trustees of Franciscan Missionaries of Our Lady Health System, Inc.
and the Louisiana Legislator Auditor:

We have performed the procedures enumerated below on Franciscan Missionaries of Our Lady Health System, Inc. (the System)'s compliance with procedures described in the Louisiana Legislative Auditors (LLA) Statewide Agreed Upon Procedures for the year ended June 30, 2024. The System is responsible for the controls and compliance areas identified by the LLA Statewide Agreed-Upon Procedures.

The System has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of assessing the compliance with the controls and compliance areas identified by the LLA Statewide Agreed-Upon Procedures of the System for the year ended June 30, 2024. This report may not be suitable for any other purpose. Additionally, the LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes.

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. We make no representation regarding the appropriateness of the procedures either for the intended purpose or for any other purpose.

The procedures and the associated findings are as follows:

1) Written Policies and Procedures

A. Obtain and inspect the entity's written policies and procedures and observe whether they include a section on 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.

No exceptions were found as a result of this procedure.

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 identified with the objective of compliance with the Public Bid Law, and (5) documentation required to be maintained for all bids and price quotes.

No exceptions were found as a result of this procedure.

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

No exceptions were found as a result of this procedure.

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).

No exceptions were found as a result of this procedure.

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.

No exceptions were found as a result of this procedure.

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.

No exceptions were found as a result of this procedure.

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

No exceptions were found as a result of this procedure.

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).

No exceptions were found as a result of this procedure.

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.

As instructed in the LLA Statewide Agreed-Upon Procedures instructions, this procedure does not apply to the entity.

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

No exceptions were found as a result of this procedure.

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.

As instructed in the LLA Statewide Agreed-Upon Procedures instructions, we performed the procedure and discussed the results with management.

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.

No exceptions were found as a result of this procedure.

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.

Per the System Bylaws Board of Trustees meetings must be held at least quarterly. No exceptions were found as a result of this procedure.

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 comparisons, at a minimum, on all proprietary funds, and semi-annual budget-to-actual comparisons, 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.

This procedure does not apply to the entity, as the System reports on the nonprofit accounting model and public funds did not exceed 10% of the entity's collections.

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.

This procedure does not apply to the entity

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.

Per KPMG's observation, at the meeting held on February 14, 2024, the board's audit committee received written updates of the progress of resolving audit findings according to management's fiscal year 2023 Single Audit corrective action plan.

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);

No exceptions were found as a result of this procedure. All bank reconciliation samples appropriately included the preparer's name and preparation date, which was within 2 months of the related bank statement closing date per the bank statement.

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 within 1 month of the date the reconciliation was prepared (e.g., initialed and dated or electronically logged); and

No exceptions were found as a result of this procedure. All bank reconciliation samples appropriately had an electronic stamp noting the date and individual who reviewed and approved the reconciliation and that each reviewer was an individual other than the preparer

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.

No exceptions were found as a result of this procedure.

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).

Per KPMG's inquiry with LLA, this procedure does not apply to the entity.

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;

Per KPMG's inquiry with LLA, this procedure does not apply to the entity.

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;

Per KPMG's inquiry with LLA, this procedure does not apply to the entity.

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

Per KPMG's inquiry with LLA, this procedure does not apply to the entity.

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

Per KPMG's inquiry with LLA, this procedure does not apply to the entity.

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.

Per KPMG's inquiry with LLA, this procedure does not apply to the entity.

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.

Per KPMG's inquiry with LLA, this procedure does not apply to the entity.

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

Per KPMG's inquiry with LLA, this procedure does not apply to the entity.

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

Per KPMG's inquiry with LLA, this procedure does not apply to the entity.

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).

Per KPMG's inquiry with LLA, this procedure does not apply to the entity.

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

Per KPMG's inquiry with LLA, this procedure does not apply to the entity.

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).

No exceptions were found as a result of this procedure.

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.

No exceptions were found as a result of this procedure.

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

No exceptions were found as a result of this procedure.

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.

No exceptions were found as a result of this procedure.

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.

No exceptions were found as a result of this procedure.

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.

No exceptions were found as a result of this procedure.

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

No exceptions were found as a result of this procedure.

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.

No exceptions were found as a result of this procedure.

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.

No exceptions were found as a result of this procedure.

KPMG

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.

No exceptions were found as a result of this procedure.

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

No exceptions were found as a result of this procedure.

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

No exceptions were found as a result of this procedure.

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 (i.e., 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.

No exceptions were found as a result of this procedure

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*).

No exceptions were found as a result of this procedure.

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

No exceptions were found as a result of this procedure.

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

KPMG observed that the reimbursement documentation included a business/public purpose, the names of participating individuals and other requirements from the written policies and procedures inspected in procedure #1a(vii). No exceptions were found as a result of this procedure.

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

No exceptions were found as a result of this procedure – each reimbursement was signed off by someone other than the person receiving reimbursement.

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.

No exceptions were found as a result of this procedure.

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).

No exceptions were found as a result of this procedure.

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;

No exceptions were found as a result of this procedure.

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.

No exceptions were found as a result of this procedure.

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.

No exceptions were found as a result of this procedure.

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 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);

      No exceptions were found as a result of this procedure.

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

      No exceptions were found as a result of this procedure.

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

      No exceptions were found as a result of this procedure.

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

      No exceptions were found as a result of this procedure.

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.

   No exceptions were found as a result of this procedure.

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.

   No exceptions were found as a result of this procedure.

10) Ethics

A. Using the 5 randomly selected employees/officials from "Payroll and Personnel" procedure #9A above 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.

As instructed in the LLA Statewide Agreed-Upon Procedures instructions, this procedure is not applicable to the entity.

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.

As instructed in the LLA Statewide Agreed-Upon Procedures instructions, this procedure is not applicable to the entity.

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

As instructed in the LLA Statewide Agreed-Upon Procedures instructions, this procedure is not applicable to the 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.

As instructed in the LLA Statewide Agreed-Upon Procedures instructions, this procedure is not applicable to the entity.

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).

No exceptions were found as a result of this procedure.

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.

No exceptions were found as a result of this procedure.

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.

No exceptions were found as a result of this procedure.

13) Information Technology Disaster Recovery/Business Continuity

A. Perform the following procedures, **verbally discuss the results with management, and report "We performed the procedure and discussed the results with management.**"

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.

As instructed in the LLA Statewide Agreed-Upon Procedures instructions, we performed the procedure and discussed the results with management

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.

As instructed in the LLA Statewide Agreed-Upon Procedures instructions, we performed the procedure and discussed the results with management.

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 the most up to date version as indicated by the Company.

As instructed in the LLA Statewide Agreed-Upon Procedures instructions, we performed the procedure and discussed the results with management.

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

No exceptions were found as a result of this procedure.

C. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain cybersecurity training documentation from management, and observe that the documentation demonstrates that the following employees/officials with access to the agency's information technology assets have completed cybersecurity training as required by R.S. 42:1267. The requirements are as follows:

i. Hired before June 9, 2020 – completed the training; and

ii. Hired on or after June 9, 2020 – completed the training within 30 days of initial service or employment.

No exceptions were found as a result of this procedure.

14) Prevention of Sexual Harassment

A. Using the 5 randomly selected employees/officials from “Payroll and Personnel” above #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.

   As instructed in the LLA Statewide Agreed-Upon Procedures instructions, this procedure is not applicable to the entity.

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).

   As instructed in the LLA Statewide Agreed-Upon Procedures instructions, this procedure is not applicable to the entity.

C. Obtain the entity’s annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe 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;

      As instructed in the LLA Statewide Agreed-Upon Procedures instructions, this procedure is not applicable to the entity.

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

      As instructed in the LLA Statewide Agreed-Upon Procedures instructions, this procedure is not applicable to the entity.

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

      As instructed in the LLA Statewide Agreed-Upon Procedures instructions, this procedure is not applicable to the entity.

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

      As instructed in the LLA Statewide Agreed-Upon Procedures instructions, this procedure is not applicable to the entity.

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

      As instructed in the LLA Statewide Agreed-Upon Procedures instructions, this procedure is not applicable to the entity.

We were engaged by the System to perform this agreed-upon procedures engagement. We conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants, and in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States which involves us performing the specific procedures agreed to and acknowledged above and reporting on findings based on performing those procedures. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the System’s compliance with procedures described in the LLA Statewide Agreed Upon Procedures for the year ended June 30, 2024. 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 the System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

KPMG LLP

Baton Rouge, Louisiana
December 5, 2024