LOUISIANA CHILDREN'S MEDICAL CENTER

Independent Auditor's Report
Consolidated Financial Statements

Years Ended December 31, 2023 and 2022

LAPORTE
CPAs & BUSINESS ADVISORS

Contents

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Independent Auditor's Report

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

Opinion

We have audited the accompanying consolidated financial statements of Louisiana Children's Medical Center (the System) which comprise the consolidated balance sheets as of December 31, 2023 and 2022, the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the System as of December 31, 2023 and 2022, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditor's Responsibility

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

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated April 30, 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.

LaPorte

A Professional Accounting Corporation

Metairie, LA
April 30, 2024

LOUISIANA CHILDREN'S MEDICAL CENTER
Consolidated Balance Sheets
December 31, 2023 and 2022 (in Thousands)

	2023	2022
Assets		
Current Assets		
Cash and Cash Equivalents	$ 149,185	$ 80,093
Assets Limited as to Use	115	176,877
Patient Accounts Receivable	383,140	249,509
Other Receivables	275,913	170,498
Inventories	71,290	49,011
Prepaid Expenses and Other	56,091	72,109
Total Current Assets	935,733	798,097
Assets Limited as to Use		
Investments Designated for Capital Projects and Specific Programs	1,046,608	1,084,692
Restricted by Bond Indenture, Debt Service Reserve	20,830	44,030
Donor-Restricted Long-Term Investments	15,928	14,932
Restricted Other	19	176,530
Less: Amount Required for Current Obligations	(115)	(176,877)
Assets Limited as to Use, Net	1,083,270	1,143,307
Investments in Joint Ventures	44,857	45,890
Long-Term Portion of Prepaid Leases	344,424	358,918
Property, Plant, and Equipment, Net	1,345,623	1,132,485
Goodwill	80,767	1,411
Other Assets	110,679	90,897
Total Assets	$ 3,945,352	$ 3,571,005

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

LOUISIANA CHILDREN'S MEDICAL CENTER
Consolidated Balance Sheets (Continued)
December 31, 2023 and 2022 (in Thousands)

	2023	2022
Liabilities and Net Assets		
Current Liabilities		
Trade Accounts Payable	**$ 245,544**	$ 242,401
Accrued Salaries and Benefits	**101,331**	82,700
Estimated Third-Party Payor Settlements	**37,895**	60,114
Deferred Revenue	**17,929**	14,113
Line of Credit	**100,000**	100,000
Note Payable	**100,000**	-
Other Current Liabilities	**76,532**	61,802
Total Current Liabilities	**679,231**	561,130
Bonds Payable, Net of Current Portion	**1,105,382**	1,007,593
Notes Payable, Net of Current Portion	**78,000**	28,000
Deferred Revenue, Net of Current Portion	**179,456**	169,351
Other Long-Term Liabilities	**136,799**	106,748
Total Liabilities	**2,178,867**	1,872,822
Noncontrolling Interest	**448**	1,417
Net Assets		
Without Donor Restrictions	**1,746,122**	1,682,781
With Donor Restrictions		
Purpose Restrictions	**13,955**	8,032
Perpetual in Nature	**5,959**	5,953
Total Net Assets	**1,766,037**	1,696,766
Total Liabilities and Net Assets	**$ 3,945,352**	$ 3,571,005

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

LOUISIANA CHILDREN'S MEDICAL CENTER
Consolidated Statements of Operations
For the Years Ended December 31, 2023 and 2022 (in Thousands)

	2023	2022
Revenues, Gains, and Other Support Without Donor Restrictions		
Net Patient Service Revenues	$ 3,101,674	$ 2,261,982
Other Operating Revenues	259,079	185,244
Contributions of Nonfinancial Assets	-	33,159
Total Operating Revenues	3,360,753	2,480,385
Operating Expenses		
Employee Compensation and Benefits	1,371,067	1,078,955
Purchased Services	451,589	267,355
Professional Fees	365,567	345,704
Supplies and Other Expenses	975,701	679,520
Depreciation and Amortization	163,590	130,260
Interest Expense	64,271	37,494
Total Operating Expenses	3,391,785	2,539,288
Loss from Operations	(31,032)	(58,903)
Investment Income (Loss)	138,143	(189,058)
Other Nonoperating Income (Expense)	984	(315)
Community Support, Net	(46,475)	(43,533)
Excess (Deficit) of Revenues over Expenses	$ 61,620	$ (291,809)

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

LOUISIANA CHILDREN'S MEDICAL CENTER
Consolidated Statements of Changes in Net Assets
For the Years Ended December 31, 2023 and 2022 (in Thousands)

	2023	2022
Changes in Net Assets Without Donor Restrictions		
Excess (Deficit) Revenues over Expenses	**$ 61,620**	$ (291,809)
Deficit Revenues over Expenses Attributable to Noncontrolling Interests	**205**	259
Adjustment to Additional Minimum Pension Liability	**1,536**	970
Ownership Revisions	**(20)**	(37)
Increase (Decrease) in Net Assets Without Donor Restrictions	**63,341**	(290,617)
Changes in Net Assets With Donor Restrictions		
Contributions and Grants	**6,346**	4,373
Investment Income (Loss)	**1,321**	(1,686)
Net Assets Released from Restrictions	**(1,737)**	(3,383)
Increase (Decrease) in Net Assets With Donor Restrictions	**5,930**	(696)
Increase (Decrease) in Net Assets	**69,271**	(291,313)
Net Assets, Beginning of Year	**1,696,766**	1,988,079
Net Assets, End of Year	**$ 1,766,037**	$ 1,696,766

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

LOUISIANA CHILDREN'S MEDICAL CENTER
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022 (in Thousands)

	2023	2022
Cash Flows from Operating Activities		
Increase (Decrease) in Net Assets	$ 69,271	$ (291,313)
Adjustments to Reconcile Increase (Decrease) in Net Assets		
to Net Cash Used in Operating Activities		
Noncontrolling Interest in Income of Consolidated		
Subsidiaries	(205)	(259)
Depreciation and Amortization	161,282	130,432
Equity in Earnings of Investments in Joint Ventures	(1,836)	(5,063)
Net Realized and Unrealized Investment Income	(138,143)	189,058
(Increase) Decrease in:		
Patient Accounts Receivable	(133,631)	(28,788)
Other Receivables	(105,415)	44,275
Inventories	(3,781)	(1,103)
Prepaid Expenses and Other Assets	15,835	26,208
Increase (Decrease) in:		
Trade Accounts Payable	(1,276)	(1,128)
Accrued Salaries and Benefits	11,888	(6,927)
Third-Party Payor Settlements	(22,219)	(15,977)
Deferred Revenue	13,920	(26,502)
Other Liabilities	(5,872)	(105,135)
Net Cash Used in Operating Activities	(140,182)	(92,222)
Cash Flows from Investing Activities		
Acquisition of Businesses, Net of Cash Acquired	(177,651)	-
Distributions of Earnings of Investments in Joint Ventures	1,836	4,709
Capital Expenditures	(238,876)	(178,072)
Purchases of Investments	490,227	(294,525)
Proceeds from Sales of Investments	(314,544)	436,856
Net Cash Used in Investing Activities	(239,008)	(31,032)

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

LOUISIANA CHILDREN'S MEDICAL CENTER
Consolidated Statements of Cash Flows (Continued)
For the Years Ended December 31, 2023 and 2022 (in Thousands)

	2023	2022
Cash Flows from Financing Activities		
Proceeds from Issuance of Bonds	**130,500**	200,000
Proceeds from Note Payable	**150,000**	-
Proceeds from Line of Credit, Net	**-**	50,000
Repayments of Bonds Payable	**(30,325)**	(4,860)
Return of Capital from Invetment in Joint Venture	**1,033**	-
Payments of Debt Issuance Costs	**(1,421)**	(738)
Distributions Paid to Noncontrolling Interest	**(764)**	519
Net Cash Provided by Financing Activities	**249,023**	244,921
Net (Decrease) Increase in Cash, Cash Equivalents, and Cash Limited as to Use	**(130,167)**	121,667
Cash, Cash Equivalents, and Cash Limited as to Use, Beginning of Year	**297,647**	175,980
Cash, Cash Equivalents, and Cash Limited as to Use, End of Year	**$ 167,480**	$ 297,647
Supplemental Disclosures of Cash Flow Information		
Cash Paid for Interest	**$ 59,947**	$ 37,323
Non-Cash Disclosures:		
Property, Plant, and Equipment Purchases in Accounts Payable	**$ 4,419**	$ 17,803
Property, Plant and Equiment Acquisitions through Deferred Revenue	**$ 2,057**	$ 27,964

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

Note 1. Organization

Louisiana Children's Medical Center (LCMC Health or the System) is a Louisiana not-for-profit corporation headquartered in New Orleans, Louisiana. LCMC Health operates an integrated network of healthcare providers, including hospitals providing acute, pediatric, psychiatric and rehabilitation services, outpatient services, pharmacies, and physician networks. The System provides a continuum of care to patients living and working in the Gulf South region. All corporate powers of the System are vested in the Board of Trustees (the Board) of LCMC Health.

Significant reporting units of the System include the following legal entities:

Children's Hospital and subsidiaries (Children's)
Located in New Orleans, Louisiana, Children's operates a 228 licensed bed medical center providing acute, rehabilitation and psychiatric inpatient and outpatient care for infants, children, and adolescents.

Touro Infirmary and subsidiaries (Touro)
Touro operates an acute care hospital, with 341 licensed beds, continuing care retirement homes, and physician networks in the New Orleans area.

University Medical Center Management Corporation (UMC)
UMC operates a campus in downtown New Orleans with a 446 licensed bed hospital, outpatient clinics and treatment facilities. UMC supports programs, facilities and research and educational opportunities offered by Louisiana State University (LSU), and supporting research and educational opportunities, offered by the Administrators of the Tulane Educational Fund (Tulane). LCMC Health is operating UMC's facility under provisions of the Amended and Restated Cooperative Endeavor Agreement (UMC CEA).

West Jefferson Medical Center and subsidiaries (WJMC)
WJMC operates a 420 licensed bed hospital located in Marrero, Louisiana providing general acute care along with outpatient health care services at locations in the New Orleans metropolitan area. WJMC operates assets under the terms of a Cooperative Endeavor Agreement (WJMC CEA) and a Master Hospital Lease with Jefferson Parish.

University Healthcare System (UHS)
UHS operates East Jefferson General Hospital (EJGH), Tulane Medical Center (TMC), Lakeside Hospital and Lakeview Hospital providing acute, psychiatric and rehabilitation services, outpatient services, pharmacies, and physician networks. UHS supports programs, facilities and research and educational opportunities offered by Louisiana State University (LSU), and supporting research and educational opportunities, offered by the Administrators of the Tulane Educational Fund (Tulane). The combined bed count is 941.

Note 1. Organization (Continued)

Details and terms of the acquisition of TMC, Lakeside Hospital and Lakeview Hospital are provided in Notes 16 and 20.

LCMC Health and Children's Hospital are members of an obligated group that are jointly and severally obligated for the debt issued and guaranteed under Master Trust Indentures.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements of the System include the activities of LCMC Health, Children's, Touro, UMC, WJMC, UHS, and their respective subsidiaries. The consolidated financial statements of the System incorporate both tax-exempt and taxable entities. All significant intercompany transactions have been eliminated in consolidation.

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

Use of Estimates

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

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

Note 2. Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

Cash and cash equivalents include certain investments in highly liquid debt instruments with a remaining maturity of three months or less when purchased. Cash and cash equivalents held in investment trading accounts for reinvesting are classified as investments. For purposes of the Consolidated Statements of Cash Flows, Cash and Cash Equivalents includes Cash Limited as to Use, from bond indentures, of approximately $18,295 and $217,554 at December 31, 2023 and 2022, respectively.

Inventories

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

Assets Limited As to Use

Assets whose use is limited primarily include assets designated for capital projects and specific programs, restricted under indenture agreements, and those with donor restrictions.

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

The investments in marketable alternative investments are valued by management at their equity in the net assets of the investment, which approximates fair value, utilizing the net asset valuation provided by the underlying investment companies, unless management determines some other valuation is more appropriate.

Such fair value estimates do not reflect early redemption penalties or redemption restrictions as the System does not intend to sell such investments before the expiration of the early redemption periods.

Leases

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

Notes to Financial Statements (All amounts in Thousands)

Note 2. Summary of Significant Accounting Policies (Continued)

Leases (Continued)

The System's lease agreements typically have initial terms of 4 to 30 years. In accordance with this ASU, the System does not record ROU assets and lease liabilities on leases with an initial term of 12 months, or less, in the consolidated balance sheets. The System's leases may include one or more options to renew, with renewals extending the lease term for multiple years. The exercise of lease renewal options is at the System's sole discretion. Options to extend or cancel a lease are only included if it is reasonably certain that these options will be exercised.

Certain of the System's lease payments may be periodically adjusted for inflation. These variable lease payments are recognized in supplies and other expenses and are not included in the ROU asset or liability balances.

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

Property, Plant, and Equipment

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

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

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

Goodwill

Goodwill at December 31, 2023 includes the excess of the acquisition price over the estimated fair value of net assets acquired as detailed in Note 20. The System performs an impairment test on an annual basis, or more frequently, if events or changes in circumstances indicate a potential impairment.

Note 2. Summary of Significant Accounting Policies (Continued)

Impairment of Long-Lived Assets

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

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

Other Current and Non-Current Assets

Other assets include prepaid expenses, such as advance rent payments made on the UMC and WJMC leases, supplemental payments receivables and amounts due from a managed facility.

Deferred Financing Costs and Original Issue Premium

Deferred financing costs, original issue premiums, and original issue discounts are netted with the related debt and are amortized over the period the obligation is outstanding using a method that approximates the interest method.

Workers' Compensation, Professional Liability, and Employee Health Claims

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

Pension and Other Postretirement Plans

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

Note 2. Summary of Significant Accounting Policies (Continued)

Deferred Revenue
When the System receives payments before all performance obligations are satisfied, recognition of the related revenue is deferred until the period in which the System has satisfied such obligations.

Other Current and Non-Current Liabilities
Other liabilities include operating and finance liabilities; patient credit balances; estimated health, workers compensation and professional and general claims; and pension benefits.

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

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

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

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

Alternative investments consist of those investments that do not trade in secondary. Such funds are reported at fair value as estimated by their net asset value as reported by fund managers. That amount represents the System's proportionate interest in the capital of the invested funds. Using net asset values per share is a practical expedient and not classified in the fair value hierarchy.

Derivatives and Financial Instruments
The System uses interest rate swap and basis swap agreements to manage interest costs and the risk associated with changing interest rates. The fair value of these instruments

Note 2. Summary of Significant Accounting Policies (Continued)

Derivatives and Financial Instruments (Continued)

is recorded in other receivables or other current liabilities on an instrument-by-instrument basis depending on the current value in the consolidated balance sheets.

The System's primary objective for the use of these instruments is to manage its cash flow requirements. Unrealized gains and losses in the fair value of such instruments are reflected in investment income or loss in the consolidated statements of operations.

Patient Service Revenue

Patient care service revenue is recognized as the System satisfies performance obligations under its contracts with patients. 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. Patient care service revenue is reported at the estimated transaction price or amount that reflects the consideration to which the System expects to be entitled in exchange for providing patient care.

The System determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments, discounts in accordance with the System's policies, and implicit price concessions provided for uncollectable amounts. Estimates of explicit price concessions, which represent adjustments and discounts, are based on contractual agreements, discount policies, and historical experience by payor groups. Implicit price concessions are primarily based on historical experience, current economic conditions, and certain forward-looking information. 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, and patient accounts receivable are due in full when billed. Revenue is recognized as performance obligations are satisfied. Generally, performance obligations satisfied over time relate to patients in the System receiving inpatient acute care services or patients receiving services in its outpatient centers.

Agreements with third-party payors typically provide for payments at amounts less than standard charges. Following is a summary of the payment arrangements with major third-party payors:

> Medicare - Certain inpatient acute care services are paid at prospectively determined rates per discharge based on clinical, diagnostic, and other factors. Certain services are paid based on cost-reimbursement methodologies, subject to certain limits. Physician services are paid based upon established fee schedules. Outpatient services are paid using prospectively determined rates.
>
> Medicaid - Reimbursements for Medicaid services are generally paid at prospectively determined rates per discharge, per occasion of service, or per covered member.

Note 2. Summary of Significant Accounting Policies (Continued)

Patient Service Revenue (Continued)

Other - Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Settlements with third-party payors for retroactive adjustments due to review and audits are variable consideration and are included in the determination of the estimated transaction price for providing patient care in the period the related services are provided using the most likely outcome method. The System records retroactive Medicare and Medicaid settlements based upon estimates of amounts that are ultimately determined through annual cost reports filed with and audited by the fiscal intermediary. Estimated settlements are adjusted in future periods as adjustments become known or as years are settled or are no longer subject to such reviews and audits. Adjustments from a change in estimated settlements increased patient service revenue by approximately $37,400 and $34,300 in 2023 and 2022, respectively.

Patient Accounts Receivables

Patient Accounts Receivables are carried at a net amount determined by the original charge for the services provided, less an estimate made for implicit and explicit pricing concessions provided. The System had net patient accounts receivables of approximately $383,140, $249,509, and $220,721, on December 31, 2023, 2022, and 2021, respectively.

On January 1, 2023, the Organization adopted FASB ASC 326-20 *Financial Instruments - Credit Losses*. In accordance with the requirements of this standard, management determines the implicit pricing concessions using an estimate of expected credit losses, applied to customer groupings with similar risk characteristics, based on historical experience, current economic conditions, and certain forward-looking information. The System records implicit pricing concessions for estimated losses resulting from a payors inability to make payments on accounts. Accounts are written off when collection efforts have been exhausted. Management continually monitors and adjusts its allowances associated with its receivables.

Financial Assistance Program

The System provides medical care without charge or at reduced costs to residents of its community through the provision of financial assistance. The System has established and follows its policies for financial assistance, emergency medical care, and billing and collections. Costs for medical care provided under this program are generally estimated based on direct costs incurred or through estimation of an overall cost to charge ratio to the uncompensated charges associated with care provided under this program.

During the years ended December 31, 2023 and 2022, estimated costs associated with providing financial assistance, throughout the System, were approximately $107,512 and $93,064, respectively. These amounts are not reported within net patient revenue.

Note 2. Summary of Significant Accounting Policies (Continued)

Grants, Contributions, and Gifts With Donor Restrictions

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

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

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

Operating and Nonoperating Activities

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

Excess of Revenues over Expenses

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

Note 2. Summary of Significant Accounting Policies (Continued)

Income Taxes

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

CCPI, a subsidiary of Touro, is a for-profit entity. Through the year ended December 31, 2023, the operations of CCPI have resulted in estimated cumulative net operating losses for Federal income tax purposes of approximately $88,546, of which approximately $43,717 have no expiration as to their use while approximately $44,829 expire in varying amounts through 2036. No tax benefits related to these operating losses have been recognized in the accompanying consolidated financial statements.

Accounting for Uncertainty in Income Taxes

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

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

Recently Adopted Accounting Pronouncements

In January 2017, the FASB issued ASU 2017-04, *Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. The ASU simplifies the measurement of goodwill impairment by eliminating the requirement that an entity compute the implied fair value of goodwill based on the fair values of its assets and liabilities to measure impairment. Instead, goodwill impairment will be measured as the difference between the fair value of the reporting unit and the carrying value of the reporting unit. The adoption of ASU 2017-04 on January 1, 2023 did not have a material impact on the consolidated financial statements.

Notes to Financial Statements (All amounts in Thousands)

Note 2. Summary of Significant Accounting Policies (Continued)

Recently Adopted Accounting Pronouncements (Continued)

In June 2016, the FASB issued ASU 2016-13,*Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The ASU requires that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct write down.

The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statement of income as the amounts expected to be collected change. The ASU was adopted on January 1, 2023 and did not have a material impact on the consolidated financial statements.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified in order to be comparable with the current year presentation. These reclassifications had no effect on the reported results of operations.

Note 3. Patient Service Revenues

Patient service revenues are generated from services provided to inpatients and outpatients receiving medical care. Inpatient revenues account for approximately 52% and 54% of total net patient service revenue for the years ended December 31, 2023 and 2022, respectively. The table below shows the sources of net patient service revenue for the years ended December 31.

	2023	2022
Medicaid	$ 1,441,429	$ 1,164,404
Medicare	900,820	580,348
Other Third-Party	691,033	469,378
Guarantor/Patient/Other	68,392	47,852
Net Patient Service Revenue	$ 3,101,674	$ 2,261,982

Note 3. Patient Service Revenues (Continued)

Supplemental Payment Programs

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

Through June 30, 2022, the State's plan included payments through the following supplemental programs: Full Medicaid Pricing (FMP), Upper Payment Limit, Graduate Medical Education, and Disproportionate Share. The State consolidated these programs into one program effective July 1, 2022, through a program referred to as the Full Directed Payment program (MFP). The System is recognizing revenue based on an amount estimated by the Louisiana Department of Health for the State's fiscal year. MFP remittances are included within net patient service revenues on the consolidated statements of operations. All amounts remitted under this program are subject to reconciliation based on volume of eligible Medicaid patients. Amounts owed to the System through supplemental payment programs are included within other current receivables on the System's consolidated balance sheets.

For the years ended December 31, 2023 and 2022, the System recognized revenues of approximately $809,890 and $649,391 with receivable balances of approximately $162,376 and $102,104, respectively.

The System entered into agreements to receive or qualify for facilitate payments under the State's Medicaid Managed Care Quality Incentive Program. Under the terms of the agreements, the System recognized estimated quality incentive payments for the years ended December 31, 2023 and 2022, of $74,743 and $54,619, respectively, which is included within net patient service revenue. The System has amounts owed to it through this program within other receivables on the consolidated balance sheets. These receivables total approximately $42,935 and $31,689 at December 31, 2023 and 2022, respectively. Deficiencies in the accomplishment of defined performance measures, may result in potential reduction of these incentives.

Notes to Financial Statements (All amounts in Thousands)

Note 4. Assets Limited as to Use

At December 31, 2023 and 2022, assets limited as to use are invested as allowed and consist of the following investment categories:

	2023	2022
Marketable Equity Securities	$ 545,550	$ 614,063
Other Fixed Income Securities	464,628	476,548
Cash	44,589	217,554
Money Market Funds, Certificates of Deposit, and Commercial Paper	27,358	10,447
Corporate Bonds	1,225	1,038
State of Israel Bonds	-	500
U.S. Government Securities	35	34
Total	$ 1,083,385	$ 1,320,184

Note 5. Derivative Instruments

The System entered into derivative instruments consisting of interest rate swap agreements. At December 31, 2023, the instruments consist of the following:

Trade Date	Maturity	Notional Amount	Hedged Rate	Derivative Rate	Counterparty
April 24, 2015 (amended September 29, 2023	September 29, 2025	$ 34,090	3.900%	USPSA	Touro
June 9, 2021	June 9, 2026	$ 79,610	6.35%	SOFR	Children's
June 9, 2021	June 9, 2026	$ 31,000	6.85%	SORF	Children's
June 9, 2021	June 9, 2026	$ 53,585	6.85%	SOFR	Children's
June 9, 2021	June 9, 2026	$ 90,210	7.00%	SOFR	Children's
June 23, 2023	June 23, 2028	$ 50,000	5.25%	USPSA	Children's
June 23, 2023	June 23, 2028	$ 43,605	5.80%	USPSA	Children's
June 23, 2023	June 23, 2028	$ 76,605	5.70%	USPSA	Children's
June 23, 2023	June 23, 2028	$ 79,790	5.60%	USPSA	Children's

Notes to Financial Statements (All amounts in Thousands)

Note 5. Derivative Instruments (Continued)

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

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

Interest expense on the related debt was reduced by the realized gains and interest earnings from the interest rate swap agreements of $2,351 and $11,659 in 2023 and 2022, respectively. At December 31, 2023 and 2022, these agreements had a net carrying value (which approximates fair value) as a liability of approximately $290 and $6,436, respectively.

Exposure to credit-related losses has been minimized based on counter-party credit ratings.

All derivative instruments are subject to market risk and may make an instrument less valuable. Exposure to market risk is managed in accordance with the risk limits set by the LCMC Health Investment Committee.

Notes to Financial Statements (All amounts in Thousands)

Note 6. Leases

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

Component	Classification	2023	2022
Assets			
Finance Lease Assets	Other Assets	$ 16,300	$ 14,376
Operating Lease Assets	Other Assets	51,137	43,784
Total Lease Assets		$ 67,437	$ 58,160
Liabilities			
Finance Lease Liabilities			
Current	Other Current Liabilities	$ 3,272	$ 2,394
Long-Term	Other Long-Term Liabilities	12,101	11,580
Operating Lease Liabilities			
Current	Other Current Liabilities	10,553	6,743
Long-Term	Other Long-Term Liabilities	43,365	40,265
Total Lease Liabilities		$ 69,291	$ 60,982

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

	2023	2022
Finance Lease Cost		
Amortization of Right-of-Use Assets Recorded in Depreciation and Amortization	$ 2,667	$ 1,518
Interest on Lease Liabilities Recorded in Interest Expense	463	1,214
Operating Lease Cost Recorded in Supplies and Other Expenses	12,650	10,164
Short-Term Lease Cost Recorded in Supplies and Other Expenses	16,869	23,115
Total Lease Cost	$ 32,649	$ 36,011
Other Information		
Cash Paid for Amounts Included in the Measurement of Lease Liabilities		
Operating Cash Flows from Finance Leases	$ 463	$ 1,214
Operating Cash Flows from Operating Leases	11,947	9,998
Financing Cash Flows from Finance Leases	3,374	2,733
Right-of-Use Assets Obtained in Exchange for New Finance Lease Liabilities	5,516	-
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	12,550	9,375
Weighted-Average Remaining Lease Term-Finance Leases	8.4 years	11.0 years
Weighted-Average Remaining Lease Term-Operating Leases	6.6 years	7.9 years
Weighted-Average Discount Rate-Finance Leases	2.6%	2.2%
Weighted-Average Discount Rate-Operating Leases	3.1%	3.0%

Notes to Financial Statements (All amounts in Thousands)

Note 6. Leases (Continued)

Future maturities of lease liabilities at December 31, 2023 are presented in the following table:

Year Ending	Operating Leases	Finance Leases
2024	$ 11,514	$ 3,652
2025	9,399	2,090
2026	9,107	2,115
2027	7,512	1,252
2028	6,781	1,072
Thereafter	15,137	6,805
Total Lease Payments	59,450	16,986
Less: Imputed Interest	(5,532)	(1,613)
Total Lease Obligations	53,918	15,373
Less: Current Obligations	(10,553)	(3,272)
Long-Term Lease Obligations	$ 43,365	$ 12,101

Note 7. Property, Plant, and Equipment

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

	2023	2022
Land and Land Improvements	$ 72,604	$ 55,702
Leasehold Improvements	36,243	20,998
Buildings	996,690	917,672
Fixed Equipment	163,042	128,353
Major Moveable Equipment	949,035	796,632
	2,217,614	1,919,357
Less: Accumulated Depreciation	(1,072,628)	(925,746)
Construction in Progress	200,637	138,874
Property, Plant, and Equipment, Net	$ 1,345,623	$ 1,132,485

Depreciation expense was approximately $149,963 and $117,280 for the years ended December 31, 2023 and 2022, respectively.

Notes to Financial Statements (All amounts in Thousands)

Note 8. Investments in Joint Ventures

The System has invested in various joint ventures. These joint ventures are accounted for using the equity method.

Summarized financial information for the years ended December 31, 2023 and 2022, respectively, are as follows: Total equity of $44,857 and $46,366; earnings of $1,836 and $5,539; distributions of $3,345 and $4,709; contributions of $500 and $-0-, respectively.

Note 9. Line of Credit

The System has a revolving line of credit note that provides borrowing up to $100,000; a $50,000 line of credit with a $50,000 accordion feature. At December 31, 2023 and 2022, the outstanding balance was $100,000. The note is renewable annually, and was renewed through February 12, 2025.

Interest is payable quarterly at SOFR plus 0.10% per annum. The interest rate at December 31, 203 was 6.05%.

Note 10. Bonds Payable

At December 31, bonds payable consisted of the following tax-exempt revenue and refunding bonds issued by the Louisiana Public Facilities Authority on behalf of the System:

	2023	2022
Series 1993 Bonds		
Interest fixed at 6.125%, principal and interest payable annually.	$ -	$ 1,705
Series 2015 Bonds		
Interest fixed at 3.90%, principal and interest payable annually through maturity in 2029.	34,090	35,615
Series 2015 A1 - Serial Bonds		
Interest fixed at 5.00%, payable semi-annually. Principal payments begin June 1, 2036 through maturity on June 1, 2039.	27,515	27,515

Notes to Financial Statements (All amounts in Thousands)

Note 10. Bonds Payable (Continued)

	2023	2022
Series 2015 A1 - Term Bonds Interest at 5% per annum, payable semi-annually. Mandatory redemption beginning June 1, 2040 through maturity on June 1, 2045.	27,320	27,320
Series 2015 A1 - Term Bonds Interest at 4% per annum, payable semi-annually. Mandatory redemption beginning June 1, 2040 through maturity on June 1, 2045.	25,000	25,000
Series 2015 A2 Bonds - Term Rate Mode Initial interest rate of 5.00% through June 1, 2025. Interest is payable semi-annually. Mandatory redemption beginning June 1, 2036 through maturity on June 1, 2045.	75,140	75,140
Series 2015 A3 Bonds - Term Rate Mode Interest at 5% per annum, payable semi-annually. Interest in the Term Rate Mode through June 1, 2028. Mandatory redemption beginning June 1, 2036 through maturity on June 1, 2045.	25,500	27,095
Series 2017 Bonds - Index Rate Mode Initial Index Rate is SIFMA plus 0.65% (65 basis points). Interest is payable monthly. Mandatory sinking fund redemption beginning September 1, 2046 Remarketed effective August 16, 2023.	-	125,000
Series 2017 A Bonds - Weekly Rate Mode Initial rate was set on August 16, 2023. Weekly Rate is the lowest rate in the opinion of the Remarketing Agent. Interest payable monthly. Mandatory redemption beginning September 1, 2046 through maturity on September 1, 2057.	62,500	-
Series 2017 B Bonds - Weekly Rate Mode Initial rate was set on August 16, 2023. Weekly Rate is the lowest rate in the opinion of the Remarketing Agent. Interest payable monthly. Mandatory redemption beginning September 1, 2046 through maturity on September 1, 2057.	62,500	-

Notes to Financial Statements (All amounts in Thousands)

Note 10. Bonds Payable (Continued)

	2023	2022
Series 2020 A Bonds - Term Bonds Interest at 3% per annum, payable semi-annually, beginning December 1, 2020. Mandatory sinking fund redemption beginning June 1, 2046 through maturity on June 1, 2050.	55,000	55,000
Series 2020 A Bonds - Term Bonds Interest at 4% per annum, payable semi-annually, beginning December 1, 2020. Mandatory sinking fund redemption beginning June 1, 2046 through maturity on June 1, 2050.	40,850	40,850
Series 2022 A Bonds - Fixed Rate Mode Interest at 5.6% per annum, payable semi-annually, beginning December 1, 2023. Mandatory sinking fund redemption beginning December 1, 2039	43,605	-
Series 2022 A Bonds - Fixed Rate Mode Interest at 5.7% per annum, payable semi-annually, beginning December 1, 2023. Mandatory sinking fund redemption beginning December 1, 2043	76,605	-
Series 2022 A Bonds - Fixed Rate Mode Interest at 5.8% per annum, payable semi-annually, beginning December 1, 2023. Mandatory sinking fund redemption beginning December 1, 2049	79,790	-
Series 2023 A Bonds - Term Rate Mode Interest at 5.25% per annum, payable monthly beginning December 1, 2023. Interest in the Term Rate Mode through June 1, 2033. Mandatory redemption beginning December 1, 2034 through maturity on December 1, 2052.	50,000	-
Series 2023 B Bonds - Term Rate Mode Interest at 3.56% per annum, payable monthly beginning December 1, 2023. Interest in the Term Rate Mode through June 1, 2028. Optional redemption beginning in 2029 with maturity on December 1, 2052.	55,000	-

Notes to Financial Statements (All amounts in Thousands)

Note 10. Bonds Payable (Continued)

	2023	2022
Taxable:		
Series 2020B Bonds - Term Bonds		
Interest at 2.282% per annum, payable semi-annually.		
Early redemption allowed at a make-whole		
price. Full principle due at maturity on June 1, 2030.	102,280	102,280
Series 2021 A1 Bonds - Fixed Rate Mode		
Interest of 6.35%, payable semi-annually		
Principal due at maturity in 2031.	79,610	79,610
Series 2021-A1.2 Bonds - Fixed Rate Mode		
Interest at 6.85%, payable semi-annually		
Principal due at maturity in 2041.	31,000	31,000
Series 2021-B1.1 - Fixed Rate Mode		
Interest at 6.85%, payable semi-annually		
Principal due at maturity in 2041.	53,585	53,585
Series 2021-B1.2 - Fixed Rate Mode		
Interest at 7.00%, payable semi-annually		
Principal due at maturity in 2051.	90,210	90,210
Series 2022 A Bonds - Index Rate Mode		
Initial Index Rate is SOFR plus 0.90%		
Interest is payable monthly beginning February 2023		
Remarketed as tax-exempt effective June 23, 2023.	-	200,000
	1,097,100	996,932
Plus: Unamortized Original Issue Premium	22,564	22,035
Less: Debt Issuance Costs, Net of Amortization	(8,877)	(8,144)
	1,110,787	1,010,823
Less: Current Maturities of Bonds Payable	(5,405)	(3,230)
Bonds Payable - Long-Term	$ 1,105,382	$ 1,007,593

On December 31, 2023 and 2022 variable interest rates ranged from 3.7% to 3.9% and from 4.3% to 5.3%, respectively.

Payment of the principal of the Series 2017 A and B Note Obligations plus up to 43 days interest coverage calculated at 12%, are secured by two irrevocable direct payment letters of credit, issued by UBS AG, at the request of the Obligated Group. Draws on the letters of credit are due at the earlier of the expiration date of the letter or 91 days after the drawing date. The letters of credit expire August 16, 2026.

Notes to Financial Statements (All amounts in Thousands)

Note 10. Bonds Payable (Continued)

At December 31, 2023, scheduled repayments of principal and sinking fund installments are as follows:

2024	$ 5,405
2025	5,615
2026	5,835
2027	6,060
2028	6,295
Thereafter	1,067,890
Total	$ 1,097,100

Note 11. Notes Payable

$28,000 Fixed Note: Interest payable semi-annually at a fixed rate of 3.73%. This note matures March 20, 2025, and is secured on parity with the Series 2021A Obligation.

$150,000 Term Loan: Interest payable monthly at a rate of SOFR plus 0.10% per annum. The interest rate at December 31, 2023 was 5.48%. This note is a Related Debt Obligation under the Master Trust Indenture dated April 1, 2014. The original maturity date of April 1, 2024 was extended through March 12, 2025.

At December 31, 2023, the consolidated balance sheets include $100,000 within current liabilities and non-current liabilities of $78,000 and $28,000 at December 31, 2023 and 2022, respectively.

Note 12. Employee Retirement Plans

Defined Contribution Plans

The Louisiana Children's Medical Center Retirement Savings Plan (LCMCRS Plan) was formed by LCMC Health as a Section 403(b) defined contribution employee benefit plan. The LCMCRS Plan is a single-employer defined contribution plan sponsored by LCMC Health covering all eligible employees of LCMC Health and its affiliates.

In general, employer contributions are comprised of a non-elective contribution of 2% of each eligible employee's compensation, a qualified matching contribution of 50% on an eligible employee's contribution up to 4% of the employee's eligible earnings, and an employer discretionary contribution up to 3% of each participant's compensation. Contributions for the years ended December 31, 2023 and 2022, were approximately $28,633 and $20,890, respectively.

Defined Benefit Pension Plan

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

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

The System's consolidated financial statements include net periodic pension gain of approximately $727 and $225 for the years ended December 31, 2023 and 2022, respectively. Contributions of $1,000 and $250, respectively, were made during the years ended December 31, 2023 and 2022. As of December 31, 2023 and 2022, the System has a benefit obligation of $25,018 and $27,185, with corresponding plan asset fair values of $21,916 and $22,274. The resulting unfunded liabilities associated with this plan are totaling approximately $3,102 and $4,911, at December 31, 2023 and 2022, respectively. The net periodic pension costs are insignificant.

Notes to Financial Statements (All amounts in Thousands)

Note 12. Employee Retirement Plans (Continued)

Defined Benefit Pension Plan (Continued)

Weighted-average assumptions used to determine projected benefit obligations include discount rates for obligations and periodic cost, expected return on plan assets and cash balance interest credit rates. These rates are management estimates and ranged between 3% and 7% in both years.

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

As discussed in Note 2, the System uses a fair value hierarchy for valuation inputs.

Approximately 72.53% of the Plan's investments were considered level 1 investments and approximately 27.47% were considered level 2 investments for the year ending December 31, 2023.

Approximately 74.63% of the Plan's investments were considered level 1 investments and approximately 25.37% were considered level 2 investments for the year ending December 31, 2022.

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

Future benefit payments expected to be paid in each of the next five fiscal years and in the aggregate for the following five years as of December 31, 2023, are as follows:

2024	$ 4,566
2025	1,612
2026	1,667
2027	1,754
2028	1,638
Thereafter	7,481
Total	$ 18,718

Notes to Financial Statements (All amounts in Thousands)

Note 12. Employee Retirement Plans (Continued)

Executive Benefit Plan

The System sponsors benefits for both current and former members of senior management through a 457(b)-deferred compensation plan. The System has a liability and related assets of approximately $20,836 and $15,739, at December 31, 2023 and 2022, respectively. The compensation liability is included in accrued salaries and benefits on the consolidated balance sheets and plan assets are recorded in other assets on the consolidated balance sheets.

Note 13. Concentrations of Credit Risk

Patient accounts receivable are stated at estimated net realizable value. The System grants credit without collateral to its patients whom are insured under third-party payor agreements.

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

	2023	2022
Medicare	35 %	34 %
Medicaid	26	18
Other Third-Party	36	44
Guarantor/Patient/Other	3	4
Total	100 %	100 %

Periodically, cash in bank accounts exceeds insured limits. The System does not believe this creates significant risk.

Notes to Financial Statements (All amounts in Thousands)

Note 14. Functional Expenses

The System provides general health care services, both inpatient and outpatient, to patients in the Gulf South region. The statement of operations report expenses based on natural classifications. The costs of providing program and supportive activities on a functional basis for the years ended December 31 were as follows:

2023	Healthcare	Management and General	Fundraising	Total
Operating Expenses				
Compensation and Benefits	$ 1,152,378	$ 217,667	$ 1,022	$ 1,371,067
Purchased Services	275,690	171,519	4,380	451,589
Professional Fees	351,099	13,802	666	365,567
Supplies and Other Expenses	889,687	83,646	2,367	975,701
Depreciation and Amortization	106,258	57,048	284	163,590
Interest	15,549	48,722	-	64,271
	$ 2,790,661	$ 592,404	$ 8,719	$ 3,391,785
Non-operating Expenses				
Community Support	$ 44,144	$ 2,331	$ -	$ 46,475

2022	Healthcare	Management and General	Fundraising	Total
Operating Expenses				
Compensation and Benefits	$ 881,754	$ 196,297	$ 905	$ 1,078,955
Purchased Services	143,256	118,841	5,252	267,355
Professional Fees	305,622	39,574	507	345,704
Supplies and Other Expenses	579,004	98,067	2,459	679,520
Depreciation and Amortization	83,004	46,998	262	130,260
Interest	622	36,871	-	37,494
	$ 1,993,262	$ 536,648	$ 9,385	$ 2,539,288
Non-operating Expenses				
Community Support	$ 27,613	$ 15,920	$ -	$ 43,533

Notes to Financial Statements (All amounts in Thousands)

Note 15. Fair Value of Financial Instruments

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

Assets and liabilities measured at fair value on a recurring basis at December 31, 2023 are summarized below:

Assets	Level 1	Level 2	Level 3	Total Fair Value
Cash	$ 44,589	$ -	$ -	$ 44,589
Marketable Equity Securities	448,264	-	97,288	545,552
Corporate Bonds	-	1,225	-	1,225
Other Fixed Income Securities	225,254	-	239,407	464,661
Money Market Funds	27,358	-	-	27,358
Investments Measured at Fair Value	$ 745,465	$ 1,225	$ 336,695	1,083,385

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

Assets	Level 1	Level 2	Level 3	Total Fair Value
Cash	$ 217,554	$ -	$ -	$ 217,554
Marketable Equity Securities	491,504	-	122,558	614,062
Corporate Bonds	-	1,038	-	1,038
Other Fixed Income Securities	227,784	-	248,799	476,583
Money Market Funds	10,447	-	-	10,447
State of Israel Bonds	-	500	-	500
Investments Measured at Fair Value	$ 947,289	$ 1,538	$ 371,357	1,320,184

Note 15. Fair Value of Financial Instruments (Continued)

Purchases or (sales) of investments measured at fair value for which the System has used Level 3 inputs to determine fair value for the years ended December 31, 2023 and 2022, were approximately $(61,890) and $66,492, respectively. In 2022, $268,474 of assets previously measured at net asset value per share were transferred into level 3 investments. There were no significant transfers into or out of Level 3 investments in 2023.

The System's measurements of fair value are made on a recurring basis using the following:

Investments - The fair value of investment securities is market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the investment.

Interest Rate and Basis Swap Agreements - The fair values of these agreements represent estimated amounts the System would pay to terminate these agreements at the reporting date, taking into account current interest rates and credit worthiness of the counterparty and the System. See Note 5 for the fair value of the liability associated with the swaps.

Note 16. Commitments and Contingencies

The System has certain pending and threatened litigation and claims incurred in the ordinary course of business; management believes that the probable resolution will not exceed recorded reserves or insurance coverage.

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, and reimbursement for patient services. Government activity has continued with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Management believes that the System is in compliance with fraud and abuse, as well as other applicable government laws and regulations.

Note 16. Commitments and Contingencies (Continued)

Professional and General Liability Insurance

Professional and general liability claims have been asserted against the System and are in various stages of development.

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

Additionally, the System has a self-insured retention of $1,000 for professional and general liability with a limit of $35,000.

The System has reflected its estimate of the ultimate liability for known and incurred but not reported claims in the accompanying consolidated financial statements. The estimated liability for professional liability claims, which was discounted at 2% at December 31, 2023 and 2022, respectively, was approximately $32,100 and $30,300. The current portion at December 31, 2023 and 2022 was approximately $15,200 and $12,900, respectively, and is included in other current liabilities.

Estimated Employee Health and Workers' Compensation Claims

The System has a risk management program that provides excess coverage for non-domestic employee health claims, domestic and non-domestic workers' compensation claims on an occurrence basis. Due to the short-term nature of the employee health claims liabilities, fair value approximates the carrying value.

The estimated liability for workers' compensation claims, discounted at 2%, and employee health claims at December 31, 2023 and 2022, respectively, was approximately $21,200 and $19,640. The current portion of workers' compensation claims and employee health claims at December 31, 2023 and 2022 was approximately $13,800 and $11,500, respectively, and is included in other current liabilities.

Notes to Financial Statements (All amounts in Thousands)

Note 16. Commitments and Contingencies (Continued)

Operating UMC

LCMC Health has assumed responsibility for operating UMC under the terms of a CEA. The UMC CEA automatically renews for five year-terms, requiring two hundred seventy days' advance notice if termination of the CEA is intended.

UMC has multiple lease agreements, with annual rent payments subject to increase annually; however, that increase is limited to no more than 5% than the rent in the previous year. The annual lease payments for UMC will be reviewed and adjusted to the Fair Market Rental Value, as defined, every twenty years.

Under the CEA, a prepayment of rent totaling $243,000 was made over a lease term of 40 years. At December 31, 2023 and 2022, the unamortized balance of both prepayments totaled $195,585 and $205,634, respectively.

UMC also entered into an Equipment Lease for an initial term of ten years with two separate and successive options to renew for a period of five years. UMC has substantial reporting requirements to the Louisiana Property Assistance Agency and the State's Legislative Auditor under this equipment lease.

Rent expense under the above Amended and Restated Master Lease and Equipment Lease totaled approximately $77,900 and $75,600 for the years ended December 31, 2023 and 2022, respectively.

Estimated minimum annual rental payments, as of December 31, 2023 for the above mentioned leases, are as follows:

2024	$ 71,317
2025	72,017
2026	72,724
2027	73,438
2028	74,159
Thereafter	500,019
Total	$ 863,674

Note 16. Commitments and Contingencies (Continued)

Operating WJMC

Under the terms of a CEA and Master Hospital Lease, WJMC is operating an acute care hospital facility. The WJMC CEA will remain in effect for an initial term of 45 years, with an option to renew for up to two additional 15-year terms.

Under this CEA, $200,000 was prepaid for future rent payments, with amortization over the lease term of 45 years. At December 31, 2023 and 2022, the unamortized balance of totaled $163,333 and $167,778, respectively.

The CEA is subject to minimum capital expenditure requirements of $340,000 over a multi-year period, which requires annual reporting to Jefferson Parish Government.

Operating EJGH

The System took ownership and began operating the acute care hospital facility under the terms of a CEA. The CEA is subject to minimum capital expenditure requirements of $100,000 over a multi-year period, which requires annual reporting to Jefferson Parish Government.

New Orleans East Hospital (NOEH)

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

The NOEH CEA provides that the Joint Parties will manage and be responsible for the day-to-day operations of a 50-bed public hospital and emergency department in exchange for a management fee paid to the System.

At December 31, 2023 and 2022, NOEH owes the System approximately $33,491 and $30,730, respectively, for both the revenue recognized as well as direct costs incurred by the System on behalf of NOEH. This amount is included within current other receivables on the System's consolidated balance sheets.

University Healthcare System

LCMC Health executed an unit purchase agreement in 2023 for the purchase of the issued and outstanding equity interests of UHS and certain of its affiliates.

The Asset Purchase Agreement provides for the potential of up to $40,500 of Additional Consideration, payable in five payments over four years of $8,100 each, with the first installment due at the closing date. The condition to payment is tied to a measure of state reimbursement policy and becomes due on the respective anniversary dates of the closing date.

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Note 16. Commitments and Contingencies (Continued)

University Healthcare System (Continued)

In accordance with the Asset Purchase Agreement, the Tulane Academic Hospital building was reverted to The Administrators of the Tulane Educational Fund on March 1, 2024. Upon transition of ownership of the building, LCMC Health is entering into a lease agreement for a specific space to operate the EJGH satellite emergency department. LCMC Health is under no obligation to continue any agreements pertaining to the property beyond this time.

For more detail on this transaction, refer to Note 20.

Energy Asset Commitments

LCMC Health, with Children's, Touro and certain of its affiliates ('21 participating entities) executed agreements with Bernhard Energy, LLC, together with its special purpose entity, Crescent City Energy Partners, LLC, (collectively, Bernhard) with detailed unconditional purchase obligations to Bernhard for energy optimization and design/build improvements, and also for thermal service charges comprised of capacity charges and both energy and non-energy asset operations and maintenance charges (Charges). The terms of the Agreements are 15 years and expire in March 2036. In 2023, UHS executed its own agreements with Bernhard for a term of 15 years, expiring in 2038.

In consideration for the '21 participating entities entering into these agreements, Bernhard paid the '21 participating entities a sum total of approximately $177,000. To UHS, Bernhard paid approximately $29,400. These payments were recognized as deferred revenue upon receipt, with revenue recognized ratably over the 15 year period of the Agreements. For the years ended December 31, 2023 and 2022, revenue of approximately $12,272 and $11,781, respectively, was recognized. At December 31, 2023, deferred revenue totaled approximately $173,258, with approximately $13,743 classified as current and approximately $159,545 classified as non-current. At December 31, 2022, deferred revenue totaled approximately $156,099, with approximately $11,781 classified as current and approximately $144,318 classified as non-current.

As prescribed by the Agreements, an approximate total of $72,100 was paid to Bernhard for Optimization Services, with '21 participating entities paying approximately $59,600 and UHS paying approximately $12,500. Payments are capitalized into Property, Plant, and Equipment once Bernhard has expended these funds.

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

Notes to Financial Statements (All amounts in Thousands)

Note 16. Commitments and Contingencies (Continued)

Energy Asset Commitments (Continued)
For the years ended December 31, 2023 and 2022, the expenses associated with the Charges totaled approximately $25,976 and $19,455, respectively.

As of December 31, 2023, the total of the fixed and determinable payments to be paid to Bernhard are as follows:

Year Ending December 31,	Amount
2024	$ 26,759
2025	27,483
2026	28,219
2027	28,947
2028	29,694
Thereafter	241,055
Total	$ 382,157

Note 17. Community Support

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

Certain community support programs' revenues and expenses are excluded from operations and are shown, net, as community support on the consolidated statements of operations.

Notes to Financial Statements (All amounts in Thousands)

Note 18. Liquidity and Availability

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

Cash and Cash Equivalents	$ 149,185
Patient Receivables, Net	383,140
Other Receivables	275,913
Board Designated Assets Limited as to Use	1,046,608
Total	$ 1,854,846

Note 19. Contributions of Non-Financial Assets

During the year ended December 31, 2022, the System's operations were supported by laborers provided by the State of Louisiana, at no cost to the System. In accordance with ASU 2020-07, the System has recorded the contribution of these non-financial assets as a separate component of operating revenue. These contributions were valued at a total of approximately $33,159 using market rates for contract labor. There were no such contributions for the year ended December 31, 2023.

Note 20. Business Combinations

LCMC Health took ownership and began operating UHS through an agreement with HCA Healthcare (HCA) and The Administrators of the Tulane Educational Fund, effective January 1, 2023. The purchase price related to the acquisition consisted of $150,000 in cash consideration. Also, as part of the transaction, the seller agreed to provide working capital of approximately $16,650. The agreement provides for a true-up of working capital, within 45 days post-closing with any amounts below or in excess of the targeted working capital reimbursable to seller or buyer. Based on reconciliations post-closing, an additional amount was paid to the seller in 2023, of approximately $1,406 and has been reflected as part of the purchase price outlined in the table below - Assets Acquired in Excess of Liabilities Assumed. Management determined that the carrying value approximated fair value.

Note 20. Business Combinations (Continued)

Further, the parties agreed on a contingent consideration payment of $40,500 over a four-year performance period, if certain measurables are met. The first installment of contingent consideration of $8,100 was paid on the closing date. Also as part of the transaction, LCMC Health paid an expense reimbursement for physician entity interests of $1,500.

The excess of consideration paid (purchase price) and liabilities assumed over the fair value of assets acquired has been reflected as goodwill as of the opening balance sheet date. Adjustments to the purchase price and opening balance sheet allocation are permitted within one year from the acquisition date. In accordance with US GAAP, the consideration paid has to be reflected at its acquisition date fair value.

Management determined that it is probable that the payment of contingent consideration in the amount of $40,500 will be required. Therefore, in addition to the $8,100 paid at the closing date, the remaining obligation has been recognized at its estimated acquisition date fair value of $8,100 within other current accrued liabilities and approximately $24,300 as non-current accrued liabilities as of December 31, 2023.

Assets Acquired in Excess of Liabilities Assumed on January 1, 2023 (in thousands):

	UHS
Prepaid and Other Assets	$ 3,405
Inventory	18,498
Property, Plant, and Equipment	115,539
Right-of-Use Assets - Operating and Financing	18,163
Other Liabilities	(6,743)
Lease Liabilities - Operating and Financing	(18,163)
Net Assets Acquired	130,700
Purchase Price	210,056
Goodwill	$ 79,356

Liabilities pertaining to pre-acquisition contingencies remain with HCA.

Note 21. Subsequent Events

Management evaluated subsequent events through the date the consolidated financial statements were available to be issued, April 30, 2024, and determined that no events require disclosure.

No other subsequent events occurring after April 30, 2024 have been evaluated for inclusion in these consolidated financial statements.

LOUISIANA CHILDREN'S MEDICAL CENTER

Schedule of Compensation, Benefits, and Other Payments to Agency Hear
For the Year Ended December 31, 2023

Agency Head
Greg Feirn, CEO

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

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

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Louisiana Children's Medical Center (a nonprofit organization) (the System), which comprise the consolidated balance sheet as of December 31, 2023, and the related consolidated statement of operations, changes in net assets, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated April 30, 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 System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

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

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

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

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

Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

LaPorte

A Professional Accounting Corporation

Metairie, LA
April 30, 2024

LOUISIANA CHILDREN'S MEDICAL CENTER

Schedule of Expenditures of Federal Awards
for the Year Ended December 31, 2023,
and Independent Auditor's Report

LAPORTE
CPAs & BUSINESS ADVISORS

Contents

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE, AND ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Louisiana Children's Medical Center's (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 December 31, 2023. The System's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the System, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

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; 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 Auditor's 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.

Auditor's 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 generally accepted auditing standards, *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 generally accepted auditing standards, *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.

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 Auditor's 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 overcompliance. 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 financial statements of the System as of and for the year ended December 31, 2023, and have issued our report thereon dated April 30, 2024, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

LaPorte

A Professional Accounting Corporation

Metairie, LA
May 31, 2024

LOUISIANA CHILDREN'S MEDICAL CENTER

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023

Federal Grantor/Pass-Through Agency Program Title (per Assistance Listing Number)	Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures Recognized Children's	Touro	UMC	WJMC	EJGH	LCMC Health	Total	Passed Through to Subrecipients
U.S. Department of Justice										
Through: Louisiana Commission on Law Enforcement										
Crime Victim Assistance	16.575	2021-VA-03 6726 & 2022-VA-03 7323	$ 240,710	$ -	$ -	$ -	$ -	$ -	$ 240,710	$ -
Crime Victim Assistance	16.575	2021-VA-03 6716 & 2022-VA-03 7316	88,260	-	-	-	-	-	88,260	-
Through: United States Department of Justice (DOJ)										
National Children's Alliance	16.834	15PJDP-21-GK-02760-DTVF	63,109	-	-	-	-	-	63,109	-
Total U.S. Department of Justice			$ 392,079	$ -	$ -	$ -	$ -	$ -	$ 392,079	$ -
U.S. Department of Transportation										
Highway Safety Cluster										
Through: Louisiana Highway Safety Commission										
State and Community Highway Safety	20.600	2023-55-10	$ -	$ -	$ 92,658	$ -	$ -	$ -	$ 92,658	$ -
State and Community Highway Safety	20.600	2024-55-10	-	-	31,992	-	-	-	31,992	-
Louisiana Passenger Safety Task Force	20.616	HLKECQTNPLG3	-	-	177,146				177,146	-
Total Highway Safety Cluster			-	-	301,796	-	-	-	301,796	-
Total U.S. Department of Transportation			$ -	$ -	$ 301,796	$ -	$ -	$ -	$ 301,796	$ -
U.S. Department of Education										
Through: Louisiana Department of Education										
Special Education Grants to States	84.027A	PO#2000559762	$ 83,305	$ -	$ -	$ -	$ -	$ -	$ 83,305	$ -
Total U.S. Department of Education			$ 83,305	$ -	$ -	$ -	$ -	$ -	$ 83,305	$ -
U.S. Department of Health and Human Services										
Direct Award										
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918		$ -	$ -	$ 835,180	$ -	$ -	$ -	$ 835,180	$ -
Coronavirus Aid, Relief, and Economic Security Act (CARES Act)	93.498		1,309,666	195,355	-	225,623	1,402,236	1,240,707	4,373,587	-
Through: City of New Orleans										
HIV Emergency Relief Project Grants	93.914	K22-448 & K23-227 & K24-0206	-	-	1,079,375	-	-	-	1,079,375	-
Healthy Start Initiative	93.926	K22-945 & K23-317	-	-	136,159	-	-	-	136,159	-
Through: State of Louisiana										
STD/HIV/Hepatitis Program	93.940	2000751186	-	-	3,907	-	-	-	3,907	-
Through: LA Hospital Association Research and Education Foundation										
HHS Hospital Preparedness Program	93.889	U3REP220671	140,990	15,139	-	-	-	-	156,129	-
Research and Development Cluster										
Direct Award										
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	R21DK118643	32,930	-	-	-	-	-	32,930	-
Through: The University of Texas Health Science Center at Houston										
Blood Disorder Program: Prevention, Surveillance, and Research	93.080	NU27DD000020	20,016	-	-	-	-	-	20,016	-
Great Plains Regional Hemophilia Network	93.110	H30MC24051	13,913	-	-	-	-	-	13,913	-

LOUISIANA CHILDREN'S MEDICAL CENTER

Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended December 31, 2023

Federal Grantor/Pass-Through Agency Program Title (per Assistance Listing Number)	Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures Recognized							Passed Through to Subrecipients
			Children's	Touro	UMC	WJMC	EJGH	LCMC Health	Total	
U.S. Department of Health and Human Services (Continued)										
Research and Development Cluster (Continued)										
Through: The Board of Supervisors of Louisiana State University										
on behalf of its LSU Health Science Center										
Advanced Nurse Education-Sexual Assault Nurse Examiner Program	93.247	T96HP32497	10,059	-	21,088	-	-	-	31,147	-
Through: Washington University										
Heartland/Southwest Sickle Cell Disease Network	93.365	U1EMC27865	57,997	-	-	-	-	-	57,997	-
Through: The Rector and Visitors of the University of Virginia										
AF9 (MLL3) Function in Leukemia and Normal Hematopoiesis	93.396	R01CA233749	8,624	-	-	-	-	-	8,624	-
Through: The Research Institute at Nationwide Children's Hospital										
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	2U01DK100866	4,188	-	-	-	-	-	4,188	-
Through: Louisiana State University Agricultural and Mechanical College										-
Gulf South Minority/Underserved Clinical Trials Network (Gulf South M/U CTN)	93.399	5UG1CA189854	139,195	-	-	-	-	-	139,195	-
Through: Duke University										
Building and Deploying a Genomic-Medicine Risk Assessment Model										
for Diverse Primary Care Populations	93.172	5U01HG010231-05	-	-	30,384	-	-	-	30,384	-
ACTIV6: COVID-19 Outpatient Randomized Trial to Evaluate Efficacy										
of Repurposed Medications	93.350	3-U24TR001608-05S4	-	-	6,696	-	-	-	6,696	-
Allergy and Infectious Diseases Research	93.855	1R01-AI69641-01	-	-	3,348	-	-	-	3,348	-
Through: The Hospital for Sick Children										
Symptom Screening Linked to Care Pathways for Children										
with Cancer: a Cluster Randomized Trial	93.393	R01CA251112	9,394	-	-	-	-	-	9,394	-
Through: New England Research Institutes										
Cardiovascular Diseases Research	93.837	U24HL135691	22,694	-	-	-	-	-	22,694	-
Through: Ann & Robert H. Lurie Children's Hospital of Chicago										
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	U01DK127995	2,378	-	-	-	-	-	2,378	-

LOUISIANA CHILDREN'S MEDICAL CENTER

Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended December 31, 2023

Federal Grantor/Pass-Through Agency Program Title (per Assistance Listing Number)	Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures Recognized Children's	Touro	UMC	WJMC	EJGH	LCMC Health	Total	Passed Through to Subrecipients
U.S. Department of Health and Human Services (Continued)										
Research and Development Cluster (Continued)										
Through: SE Louisiana Area Health Education Center										
Pediatric Care Coordination in EMS Agencies – Improving Child Health Outcomes in Louisiana (EMSC ICHOiL)	93.127	H34MC33242	16,307	-	-	-	-	-	16,307	-
Through: Emory University										
Hematopoietic Stem Cell Transplantation for young adults with sickle cell disease	93.839	1U24HL157560	5,500	-	-	-	-	-	5,500	-
Through: The Board of Trustees of Alabama for the University of Alabama at Birmingham										
A Multi-Site Observational Study of Post-Acute sequelae of SARS-COV-2 Infection in Adults	93.838	OT2HL161847	-	-	22,713	-	-	-	22,713	-
Through: Tulane University										
Tulane University COVID Antibody and Immunity Network	93.394	1U54CA260581-01	-	-	15,648	-	-	-	15,648	-
Total Research and Development Cluster			343,195	-	99,877	-	-	-	443,072	-
Total U.S. Department of Health and Human Services			$ 1,793,851	$ 210,494	$ 2,154,498	$ 225,623	$ 1,402,236	$ 1,240,707	$ 7,027,409	$ -
U.S. Department of Homeland Security:										
Through: State of Louisiana										
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		$ 3,460,500	$ 2,085,237	$ 3,385,599	$ 2,660,535	$ 4,509,300	$ 3,216,989	$ 19,318,160	$ -
Total U.S. Department of Homeland Security			$ 3,460,500	$ 2,085,237	$ 3,385,599	$ 2,660,535	$ 4,509,300	$ 3,216,989	$ 19,318,160	$ -
Total Expenditures of Federal Awards			$ 5,729,735	$ 2,295,731	$ 5,841,893	$ 2,886,158	$ 5,911,536	$ 4,457,696	$ 27,122,749	$ -

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Louisiana Children's Medical Center (LCMC Health), Children's Hospital and subsidiaries (Children's), Touro Infirmary and subsidiaries (Touro), University Medical Center Management Corporation (UMC), West Jefferson Medical Center and subsidiaries (WJMC), and East Jefferson General Hospital (EJGH) under programs of the federal government for the year ended December 31, 2023, and is presented on the full accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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, changes in net assets, or cash flows of the System.

Note 2. De Minimis Cost Rate

The System has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3. Assumptions

Costs and lost revenues related to the Provider Relief Fund (PRF) program are reported in the PRF reporting portal (the Portal). The forms reported in the Portal allowed for direct costs as well as General and Administrative Expenses (G&A), which was meant to capture expenses such as mortgage costs, rent, insurance, personnel, fringe benefits, utilities, and other similar costs that were not direct costs. To make a reasonable determination of these G&A expenses, management used the same methodology used for developing estimates of similar costs for federal Cost Reporting.

LOUISIANA CHILDREN'S MEDICAL CENTER

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2023

Part I - Summary of Auditor's Results

Financial Statement Section

Type of Auditor's Report Issued:	Unmodified
Internal Control over Financial Reporting:	
Material Weakness(es) Identified?	No
Significant Deficiency(ies) Identified not Considered to be Material Weakness?	None Reported
Noncompliance Material to Financial Statements Noted?	No

Federal Awards Section

Internal Control over Major Programs:	
Material weakness(es) identified?	No
Significant Deficiency(ies) Identified not Considered to be Material Weakness?	None Reported
Type of Auditor's Report Issued on Compliance for Major Federal Programs:	Unmodified
Any Audit Findings Disclosed that are Required to be Reported in Accordance with 2 CFR 200.516(a)?	No

Identification of Major Programs:

Title	Assistance Listing No.
Coronavirus Aid, Relief, and Economic Security Act (CARES Act)	93.498
HIV Emergency Relief Project Grants	93.914
Grants to Provide Outpatient Early Intervention Services With Respect to HIV Disease	93.918

Dollar Threshold used to Distinguish between Type A and Type B Programs:	$813,682
Auditee Qualified as Low-Risk Auditee?	Yes

Part II - Schedule of Financial Statement Findings Section

None.

Part III - Federal Awards Findings and Questioned Costs Section

None.

LOUISIANA CHILDREN'S MEDICAL CENTER

Summary Schedule of Prior Year Findings
For the Year Ended December 31, 2023

Part I - Financial Statement Findings

None.

Part II - Federal Award Findings and Questioned Costs

None.

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AGREED-UPON PROCEDURES REPORT

Louisiana Children's Medical Center

Independent Accountant's Report
On Applying Agreed-Upon Procedures

For the Period January 1, 2023 - December 31, 2023

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

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2023 through December 31, 2023. Louisiana Children's Medical Center's (LCMC Health) management is responsible for those C/C areas identified in the SAUPs.

LCMC Health has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in the LLA's SAUPs for the fiscal period January 1, 2023 through December 31, 2023. Additionally, the LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and results are as follows:

1) Written Policies and Procedures

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2) Board or Finance Committee

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

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

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

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

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

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

3) Bank Reconciliations

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

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

   ii. Bank reconciliations include written evidence that a member of management or a board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation within 1 month of the date the reconciliation was prepared (e.g., initialed and dated, electronically logged); and

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

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

4) Collections (excluding electronic funds transfers)

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

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

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

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

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

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

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

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

   i. Observe that receipts are sequentially pre-numbered.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

8) Contracts

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

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

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

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

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

   This section is not applicable. There were no contracts paid utilizing public funds.

9) Payroll and Personnel

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

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

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

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

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

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

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

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

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

10) Ethics

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

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

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

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

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

11) Debt Service

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

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

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

12) Fraud Notice

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

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

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

13) Information Technology Disaster Recovery/Business Continuity

A. Perform the following procedures:

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

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

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

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

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.

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

14) Prevention of Sexual Harassment

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

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

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

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

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

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

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

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

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

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

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

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

LaPorte

A Professional Accounting Corporation

Metairie, LA
June 28, 2024