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August 9, 2021

Louisiana Legislative Auditor
c/o Gayle Fransen, CPA
P. O. Box 94397
Baton Rouge, LA 70804-9397

RE: Baton Rouge General Medical Center
Entity ID# 10431 CPA Firm ID# 137 CPA Contact ID # 681

Dear Ms. Fransen:

We are resubmitting the audit report for the above client for the year ended September 30, 2020 for the following reason:

The previously submitted version did not upload correctly, as pages 15 and 63 were showing as blank. There are no financial related changes in the resubmission, and there is no effect on or our opinion.

This document was previously submitted and approved by the LLA on August 4, 2021, under audit control number 72201278.

Please let us know if you have any questions or need additional information.

Sincerely,

Gregory P. Romig

Gregory P. Romig, CPA
Director, Audit and Assurance Services

Attachment

GENERAL HEALTH SYSTEM

Consolidated Financial Statements
and
Audit Reports and Schedules Related to
the Uniform Guidance

Years Ended September 30, 2020 and 2019

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Independent Auditor's Report

To the Board of Trustees
General Health System

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of General Health System (the System), which comprise the consolidated balance sheets as of September 30, 2020 and 2019, and 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.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of General Health System as of September 30, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters
Other Information
Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying schedule of expenditures of federal awards as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is also presented for the purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Governmental Auditing Standards
In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2021, on our consideration of General Health 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 General Health 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 General Health System's internal control over financial reporting and compliance.

LaPorte

A Professional Accounting Corporation

Metairie, LA
June 28, 2021

GENERAL HEALTH SYSTEM
Consolidated Balance Sheets
September 30, 2020 and 2019

		2020		2019
		(In Thousands)		
Assets				
Current assets				
Cash and cash equivalents	$	28,588	$	19,481
Patient accounts receivable, net (Note 1)		39,943		33,411
Current portion of unconditional promises to give, net		2,511		2,947
Inventories		10,178		9,178
Prepaid expenses and other assets		13,109		11,223
Short-term investments		213,414		143,243
Total current assets		307,743		219,483
Cash and cash equivalents - limited to use		682		682
Investments - limited to use		23,931		25,301
Investments - donor restricted		7,459		4,632
Unconditional promises to give, net, less current portion		872		1,323
Investments in affiliates		10,738		8,917
Goodwill		5,089		5,089
Trust receivable		22,987		20,133
Other assets		7,744		5,970
Property, plant, and equipment, net		245,198		215,515
Total assets	$	632,443	$	507,045
Liabilities and net assets				
Current liabilities				
Trade accounts payable	$	30,460	$	23,839
Accrued expenses		19,416		17,661
Medicare advances		8,947		-
Deferred revenue		36,778		989
Amounts due to contractual third-party payors		4,581		4,671
Paycheck Protection Program Loan		715		-
Current portion of self-insurance reserves		8,429		9,241
Current portion of long-term debt		11,513		11,252
Total current liabilities		120,839		67,653
Medicare advances		34,330		-
Self-insurance reserves, less current portion		1,408		2,252
Long-term debt, less current portion				
Principal amount		168,131		164,394
Less: debt issuance costs		(2,973)		(3,222)
Other long-term liabilities		4,648		-
Total liabilities		326,383		231,077
Net assets				
Without donor restrictions		295,676		267,397
With donor restrictions		10,384		8,571
Total net assets		306,060		275,968
Total liabilities and net assets	$	632,443	$	507,045

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

GENERAL HEALTH SYSTEM
Consolidated Statements of Operations
For the Years Ended September 30, 2020 and 2019

	2020	2019
	(In Thousands)	
Revenues, gains, and other support without donor restrictions		
Net patient service revenue	**$ 434,766**	$ 401,921
Provision for bad debts	**(15,878)**	(13,692)
Net patient service revenue after provision for bad debts	**418,888**	388,229
Other revenue	**47,364**	40,345
Transfers to net assets with donor restrictions	**(240)**	(549)
Net assets released from donor restrictions	**19,419**	3,620
Total revenues, gains, and other support	**485,431**	431,645
Expenses		
Salaries, wages, and benefits	**213,637**	194,011
Supplies and other expenses	**231,378**	208,826
Depreciation	**16,144**	16,924
Interest expense	**6,060**	6,563
Total expenses	**467,219**	426,324
Operating income	**18,212**	5,321
Earnings of subsidiaries	**2,206**	1,423
Investment return, net	**(5,036)**	4,210
Nonoperating gain	**25**	1,800
Excess of revenues over expenses	**$ 15,407**	$ 12,754

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

GENERAL HEALTH SYSTEM
Consolidated Statements of Changes in Net Assets
For the Years Ended September 30, 2020 and 2019

	2020	2019
	(In Thousands)	
Net assets without donor restrictions		
Excess of revenues over expenses	**$ 15,407**	$ 12,754
Net assets released from donor restrictions - capital	**12,872**	979
Increase in net assets without donor restrictions	**28,279**	13,733
Net assets with donor restrictions		
Contributions	**33,864**	3,151
Transfers from net assets without donor restrictions	**240**	549
Net assets released from donor restrictions	**(32,291)**	(4,599)
Increase (Decrease) in net assets with donor restrictions	**1,813**	(899)
Increase in net assets	**30,092**	12,834
Net assets, beginning of year	**275,968**	263,134
Net assets, end of year	**$ 306,060**	$ 275,968

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

GENERAL HEALTH SYSTEM
Consolidated Statements of Cash Flows
Years Ended September 30, 2020 and 2019

	2020	2019
	(In Thousands)	
Cash flows from operating activities		
Change in net assets	**$ 30,092**	$ 12,834
Adjustments to reconcile change in net assets		
to net cash provided by operating activities		
Depreciation	**16,144**	16,924
Amortization included in interest	**249**	91
(Gain) loss from disposal of assets	**(305)**	172
Provision for bad debts	**15,878**	13,692
Unrealized loss (gain) on investments and other assets	**6,108**	(953)
Realized loss (gain) on investments and other assets	**1,342**	(242)
(Increase) decrease in operating assets		
Patient accounts receivable	**(22,410)**	(8,893)
Inventories, prepaid expenses, and other current assets	**(2,450)**	743
Other assets	**(1,849)**	(1,155)
Increase (decrease) in operating liabilities		
Trade accounts payable	**6,621**	1,229
Accrued expenses	**1,755**	441
Medicare advances	**43,277**	-
Deferred revenue	**35,789**	(142)
Accrued self-insurance reserves	**(1,656)**	(1,486)
Amounts due to contractual third-party payors	**(90)**	257
Other long-term liabilities	**4,648**	-
Net cash provided by operating activities	**133,143**	33,512
Cash flows from investing activities		
Purchases of property, plant, and equipment	**(45,827)**	(10,306)
Proceeds from disposal of property, plant, and equipment	**305**	1
Proceeds from trust receivable	**2,053**	1,754
Payments for trust receivable	**(4,907)**	(7,579)
Sales of investments	**27,713**	6,685
Purchases of investments	**(108,086)**	(21,388)
Net cash used in investing activities	**(128,749)**	(30,833)
Cash flows from financing activities		
Proceeds from note payable	**15,352**	20,226
Cost of bond issuance	**-**	(1,070)
Principal payments on outstanding debt	**(11,354)**	(24,299)
Proceeds from Paycheck Protection Program Loan	**715**	-
Net cash provided by (used in) financing activities	**4,713**	(5,143)
Net increase (decrease) in cash and cash equivalents	**9,107**	(2,464)
Cash, cash equivalents, and restricted cash at beginning of year	**20,163**	22,627
Cash, cash equivalents, and restricted cash at end of year	**$ 29,270**	$ 20,163
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	**$ 6,713**	$ 6,786
Reconciliation of cash, cash equivalents, and restricted cash		
Cash and cash equivalents	**28,588**	19,481
Cash and cash equivalents - limited to use	**682**	682
	$ 29,270	$ 20,163

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

Note 1. Significant Accounting Policies

Organization
General Health System (the System) is a private, community-owned, nonprofit health care system located in Baton Rouge, Louisiana. The System primarily provides health care services, including primary care, acute care, rehabilitative services, skilled nursing care, and psychiatric services, all of which are designed to meet the health care needs of the southeast Louisiana area.

Basis of Presentation and Principles of Consolidation
The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. The consolidated financial statements include the accounts of the System and its directly and indirectly owned entities supported by the System. Those entities primarily include Baton Rouge General Medical Center (BRGMC or the Hospital), which provides substantially all of the System's health care services, General Health System Foundation d/b/a Baton Rouge General Foundation (the Foundation), and Baton Rouge General Physicians, Inc. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period.

The significant estimates affecting the System's net patient service revenue and provision for bad debts relate to the allowance for uncollectible accounts, provision for contractual discounts, and provision for retroactive adjustments under third-party payor arrangements. Differences between original estimates and subsequent revisions are included in the consolidated statements of operations in the period in which the differences become known. These revisions decreased and increased net patient service revenue by approximately $690,000 and $540,000 in 2020 and 2019, respectively.

Cash Equivalents and Investments
Cash equivalents include investments in money market accounts and highly liquid investments with original maturities of three months or less when purchased, excluding amounts whose use is limited by Board designation, under trust agreements, or amounts pledged to third parties. Certain cash and cash equivalents generated in the Hospital's investment accounts are classified as short-term investments.

Investments that can be readily traded are considered current assets.

Inventories
Inventories are valued at the latest invoice price. This method approximates the lower of cost (first-in, first-out method) or market.

Note 1. Significant Accounting Policies (Continued)

Prepaid Expenses and Deferred Debt Issuance Costs

Prepaid expenses are amortized over the estimated period of future benefit, generally on a straight-line basis. Deferred debt issuance costs and original issue premium on the System's revenue bonds are being amortized over the term of the bonds and included in interest expense on the combined statements of operations.

In accordance with Accounting Standards Update (ASU) 2015-03, *Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*, debt issuance costs related to a recognized debt liability are presented in the consolidated balance sheets as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts.

Assets - Limited to Use

Several funds were established concurrent with the issuance of tax-exempt debt. Trustees maintain the capital improvement and debt retirement funds, which include investments and cash and cash equivalents, as special trust accounts for the benefit and security of the holders and owners of the debt. The limited use assets as of September 30th are as follows:

	2020	2019
	(In Thousands)	
Debt retirement funds	**$ 23,800**	$ 25,172
Other restricted assets	**813**	811
	$ 24,613	$ 25,983

Property, Plant, and Equipment

All property, plant, and equipment acquisitions are recorded at cost, except for donated assets, which are recorded at fair market value on the date of donation. Any interest expense incurred on funds acquired to be used for the construction of assets is capitalized and included in construction in process during the construction phase. See Note 8 for further information. After construction is complete, the capitalized interest is transferred along with the other costs to the asset to be depreciated. Capital leases are recorded at the present value of future minimum lease payments, and the related amortization is included in depreciation and amortization expense in the consolidated statements of operations. Depreciation of plant and equipment is calculated using the straight-line method over the estimated useful lives of the assets. Estimated useful lives of the assets range from 3 to 50 years.

Note 1. Significant Accounting Policies (Continued)

Trust Receivable

The System entered into irrevocable trust agreements beginning in 2012. The purpose of the trusts are to purchase life insurance policies for certain individuals in which the System has an insurable interest. The trusts act as both the owner and the beneficiary of the life insurance proceeds and are not controlled by the System. Therefore, they are not consolidated in the System's consolidated financial statements. The System has made loans to the trusts in the form of notes receivable to allow the trusts to meet their operational cash needs. The receivables will be paid by the trusts as the benefits of the life insurance policies held by the trusts are realized. The carrying value of the receivables is not reduced by any reserves for potential uncollectability based on the cash surrender value of the policies held by the trusts and the contracted policy benefits anticipated. Based on current estimates, management anticipates a net paydown of the receivables starting in the year 2022.

Fair Values

The System follows ASU 2011-04, regarding disclosure requirements about recurring and non-recurring fair value measurements, including significant transfers into and out of Level 1 and Level 2 fair value measurements, and information on purchases, sales, issuances, and settlements on a gross basis in the reconciliation of Level 3 fair value measurements. It also clarifies existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value.

The following methods and assumptions were used by the System in estimating the fair value of its financial instruments:

Cash and cash equivalents and cash and cash equivalents limited to use: The carrying amount reported in the consolidated balance sheets approximates its fair value.

Investments, Investments limited to use, and Investment donor restricted: Fair values, which are the amounts reported in the consolidated balance sheets, are based on quoted market prices, if available, or estimated using quoted market prices for similar securities. The carrying amount reported in the consolidated balance sheets is fair value.

Trade accounts payable: The carrying amount reported in the consolidated balance sheets for trade accounts payable approximates its fair value.

Accrued expenses: The carrying amount reported in the consolidated balance sheets for accrued expenses approximates its fair value.

Medicare advances: The carrying amount reported in the consolidated balance sheets for Medicare advances approximates its fair value.

Deferred revenue: The carrying amount reported in the consolidated balance sheets for deferred revenue approximates its fair value.

Amounts due to contractual third-party payors: The carrying amount reported in the consolidated balance sheets for estimated third-party payor settlements approximates its fair value.

Note 1. Significant Accounting Policies (Continued)

Fair Values (Continued)

Long-term debt: The fair values of bonds and other long-term debt is estimated using discounted cash flow analyses, based on the System's current incremental borrowing rates for similar types of borrowing arrangements.

Other long-term liabilities: The carrying amount reported in the consolidated balance sheets for other long-term liabilities approximates its fair value.

The carrying amounts and fair values of the System's financial instruments at September 30th are as follows (in thousands):

	2020		2019	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Cash and cash equivalents	**$ 28,588**	**$ 28,588**	$ 19,481	$ 19,481
Investments	**$ 213,414**	**$ 213,414**	$ 143,243	$ 143,243
Cash and cash equivalents - limited to use	**$ 682**	**$ 682**	$ 682	$ 682
Investments - limited to use	**$ 23,931**	**$ 23,931**	$ 25,301	$ 25,301
Investments - donor restricted	**$ 7,459**	**$ 7,459**	$ 4,632	$ 4,632
Trade accounts payable	**$ 30,460**	**$ 30,460**	$ 23,839	$ 23,839
Accrued expenses	**$ 19,416**	**$ 19,416**	$ 17,661	$ 17,661
Medicare advances	**$ 8,947**	**$ 8,947**	$ -	$ -
Deferred Revenue	**$ 36,778**	**$ 36,778**	$ 989	$ 989
Amounts due to contractual third-party payors	**$ 4,581**	**$ 4,581**	$ 4,671	$ 4,671
Long-term debt	**$ 179,644**	**$ 146,873**	$ 175,646	$ 142,785
Other long-term liabilities	**$ 4,648**	**$ 4,648**	$ -	$ -

Goodwill

The System’s goodwill represents the amount by which the total consideration paid exceeded the estimated fair value of assets acquired in multiple transactions. The System tests goodwill for impairment on an annual basis, or more often if events or circumstances indicate that there may be impairment.

The System tests goodwill for impairment under a two-step approach. The first step of the goodwill impairment test compares the fair value of the reporting unit that generated the goodwill with its carrying amount, impairing goodwill if the carrying amount exceeds its fair value. The second step of the goodwill impairment test is performed to measure the amount of the impairment loss. This is determined by comparing the implied fair value of the related reporting unit’s goodwill with the carrying amount of that goodwill. If the carrying amount of the goodwill exceeds the implied fair value of that goodwill, the System recognizes an impairment loss as an expense. Management has determined there were no impairments of goodwill at September 30, 2020 and 2019. There were no changes in the carrying value of goodwill for the year ended September 30, 2020 nor 2019.

Note 1. Significant Accounting Policies (Continued)

Self-Insurance Liabilities

The System is self-insured up to certain amounts for employee health, malpractice, general liability, and workers' compensation claims. On April 1, 2016, the System created a captive self-insurance company, RRS Insurance Company Ltd. (RRS Insurance), which is a wholly-owned subsidiary of the System. RRS Insurance obtains reinsurance from a commercial carrier specific to health care facilities professional liability, physicians professional liability, commercial general liability, and employee benefits liability risks attributable to the System and certain affiliates. The System is self-insured for the first $1,000,000 of each occurrence. The commercial general liability is a claims-occurrence policy. All other policies are claims-made policies. The System carries excess liability limits to cover claims that exceed the primary limits provided by the reinsurer. The System limits exposure to claims through indemnity insurance purchased in the commercial market.

The liabilities recorded represent management's best estimate of the ultimate unpaid cost of all reported and unreported claims incurred, including legal costs. The medical malpractice and workers' compensation claims estimates are based on actuarial projections of the historical loss development of claims incurred but not reported and case-basis estimates of claims reported prior to the end of the period. These estimates are continually reviewed and adjusted, as necessary, as experience develops, or new information becomes known; such adjustments are included in current operations.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the Foundation reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Net assets without donor restrictions include those net assets available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for healthcare programs and facilities. Net assets with donor restrictions are those net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

The *Not-for-Profit Entities* Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) provides guidance on the net asset classification of donor-restricted endowment funds for a non-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). Management has considered the disclosures required under UPMIFA and determined that the additional disclosures are unnecessary due to the immaterial amount of the endowments.

Note 1. Significant Accounting Policies (Continued)

Grants, Contributions, and Donor Restricted Gifts

The System recognizes contributions when cash, securities, or other assets; and unconditional promise to give; or a notification of a beneficial interest is received. Unconditional promises to give cash and other assets that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give cash and other assets 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. The System uses the allowance method to determine uncollectible, unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made are reported at fair value at the date the promise is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

Revenue, Gains, and Losses

The System's mission is to provide a broad range of innovative health care services delivered in a caring, consumer-oriented, and cost-effective manner through a quality-driven system. As such, activities related to this purpose are classified as revenue. Revenue is generated from direct patient care, related support services, and other revenue related to the operation of the System.

Net Patient Service Revenue and Related Receivables

The System, through certain subsidiaries and affiliates, has entered into agreements with third-party payors, including government programs and managed health care plans, under which the System is compensated for care based upon established charges, the cost of providing services, predetermined rates per diagnosis, fixed per diem rates, or discounts from established charges.

Net patient service revenue is reported at the estimated net realizable amounts due from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors.

Retroactively calculated contractual adjustments arising under reimbursement agreements with third-party payors are accrued on an estimated basis in the period the related services are rendered and adjusted as final settlements are determined. Actual results could differ from those estimates.

Patient accounts receivable are reduced by an allowance for doubtful accounts. In establishing its estimate of collectability of accounts receivable, the System analyzed its payor contracts, past history, and collection patterns of its major payor sources of revenue.

Note 1. Significant Accounting Policies (Continued)

Net Patient Service Revenue and Related Receivables (Continued)

For receivables associated with services provided to patients who have third-party coverage, the System estimates, based upon payor contracts if available as well as experience, an allowance on the overall value of the receivables at any given point in time, adjusting the accounting to reflect these new estimates each month. These estimates are adjusted monthly for volume and service mix, and as needed, for rate increases.

For receivables associated with self-pay patients (which includes both patients without insurance who are not covered by the System's Financial Assistance program and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the System records a provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated or provided by policy) and the amounts actually collected, after all reasonable collection efforts have been exhausted, are charged off against the allowance for doubtful accounts.

The System has created a collection model of the patterns of collectability that is based upon the theory of an inverse relationship between age of the debt and its collectability. To estimate the appropriate allowance for doubtful accounts and provision for bad debts, a mathematical algorithm based on account type (pure self-pay versus self-pay after insurance), and age is applied to all accounts.

The allowance for uncollectable accounts at September 30, 2020 and 2019 was approximately $10,737,000 and $11,242,000, respectively.

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

Note 1. Significant Accounting Policies (Continued)

Net Patient Service Revenue and Related Receivables (Continued)

To ensure accurate payments to providers, the Tax Relief and Healthcare Act of 2006 mandated the Centers for Medicare & Medicaid Services (CMS) implement Recovery Audit Contractor (RAC) and a Medicaid Integrity Contractor (MIC) program on a permanent and nationwide basis. The program uses RACs and MICs to search for potentially improper Medicare and Medicaid payments that may have been made to health care providers that were not detected through existing CMS program integrity efforts, on payments that have occurred at least one year ago but not longer than three years ago. Once a RAC or MIC identifies a claim it believes to be improper, it makes a deduction from the provider's Medicare or Medicaid reimbursement in an amount estimated to equal the overpayment.

The System will deduct from revenue amounts assessed under the RAC and MIC audits at the time a notice is received until such time that estimates of net amounts due can be reasonably estimated. Management has evaluated the System's experience with RAC and MIC audits and believes that the estimate for RAC and MIC claims is fairly presented. Actual results could differ from these estimates.

Excess of Revenues Over Expenses

The consolidated statements of operations include the excess of revenues over expenses. Changes in net assets without donor restrictions, which would be excluded from excess of revenues over expenses when present, consistent with industry practice, include contributions of, and assets released from donor restrictions related to, long-lived assets, equity transfers involving other entities that control the reporting entity, are controlled by the reporting entity, or are under common control with the reporting entity, and pension related changes other than net periodic pension costs.

Income Tax Status

The System, BRGMC, the Foundation, and Behavioral Health, Inc. are not-for-profit organizations as described in Internal Revenue Code Section 501(c)(3) and are exempt from federal income taxation under Internal Revenue Code Section 501(a). All other consolidated corporations/LLCs are for-profit entities electing to be taxed under Internal Revenue Code Sub-Chapter C. Income tax expense for these entities is insignificant and is included in the consolidated statements of operations under supplies and other expenses.

Advertising

The System's policy is to expense advertising costs as the costs are incurred. Advertising costs for the years ended September 30, 2020 and 2019 were approximately $2,253,000 and $2,642,000, respectively.

Note 1. Significant Accounting Policies (Continued)

Significant New Accounting Pronouncements Not Yet Adopted
On May 28, 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers. ASU 2014-09 provides a single comprehensive principles-based standard for the recognition of revenue through the application of the following processes:

1. Identify the contract(s) with a customer,
2. Identify the performance obligations in the contract,
3. Determine the transaction price,
4. Allocate the transaction price to the performance obligations in the contract, and
5. Recognize revenue when, or as, the entity satisfies a performance obligation.

Among other provisions, and in addition to expanded disclosures about the nature, timing, and uncertainty of revenue, as well as certain additional quantitative and qualitative disclosures, ASU 2014-09 changes the health care industry specific presentation guidance under ASU 2011-07, Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities. The System may use one of two methods for applying ASU 2014-09: (a) retrospective to each prior reporting period presented with the option to elect certain practical expedients as defined within the scope of ASU 2014-09; or (b) retrospective with the cumulative effect of initially applying ASU 2014-09 recognized at the date of initial application and providing certain additional disclosures as defined within ASU 2014-09.

In June 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606)* and *Leases (Topic 842): Effective Dates for Certain Entities* which provided a limited deferral of the effective dates of ASU 2014-09 for certain entities that have not yet issued their financial statements. Therefore, ASU 2014-09 is effective for the System's annual reporting period ending September 30, 2021, and for its interim reporting periods beginning October 1, 2021.

The System currently anticipates adopting the standard using the retrospective method with the cumulative effect of initially applying ASU 2014-09 recognized as a change in beginning net assets at the date of initial application. The System is utilizing a comprehensive approach to assess the impact of the guidance on each of its operating segments' revenue streams. Additionally, the System is evaluating the impact of the new guidance on disclosures, as well as the impact on controls to support the recognition. Based on the foregoing, the System does not currently anticipate this standard having a material impact on its consolidated financial statements.

Note 1. Significant Accounting Policies (Continued)

Significant New Accounting Pronouncements Not Yet Adopted (Continued)
In January 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires that a lessee recognize the assets and liabilities that arise from leases classified as finance or operating. A lessee should recognize in the balance sheet a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach.

In June 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606)* and *Leases (Topic 842): Effective Dates for Certain Entities* which provided a limited deferral of the effective dates of ASU 2014-09 for certain entities in the “all other category.” Therefore, ASU 2016-02 will be effective for the System beginning in the year ending September 30, 2023. Management is currently evaluating the impact ASU 2016-02 will have on the consolidated financial statements.

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 ASU also clarifies the treatment of the income tax effect of tax deductible goodwill when measuring goodwill impairment loss. ASU 2017-04 will be effective for the System in the year ending September 30, 2024. ASU 2017-04 must be applied prospectively with early adoption permitted. The System is currently evaluating the impact of the adoption of this guidance on its consolidated financial statements.

Significant New Accounting Pronouncements Adopted
In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. ASU 2016-15 provides guidance on how certain cash receipts and cash payments should be presented and classified in the statement of cash flows with the objective of reducing existing diversity in practice with respect to these items. ASU 2016-15 is effective for annual periods beginning after December 15, 2018. During the year ended September 30, 2020, the System implemented ASU 2016-15 and has adjusted the presentation in these financial statements accordingly. ASU 2016-15 has been applied retrospectively to all periods presented, and its implementation did not have a material effect on the consolidated financial statement balances for the years ended September 30, 2019 and 2020.

Note 1. Significant Accounting Policies (Continued)

Significant New Accounting Pronouncements Adopted (Continued)

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)*, which provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. ASU 2016-18 is effective for annual periods beginning after December 15, 2018. During the year ended September 30, 2020, the System implemented ASU 2016-18 and has adjusted the presentation in these financial statements accordingly. ASU 2016-18 has been applied retrospectively to all periods presented, and its implementation did not have a material effect on the consolidated financial statement balances for the years ended September 30, 2019 and 2020.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, to assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and determining whether a contribution is conditional. During the year ended September 30, 2020, the System adopted ASU 2018-08. This ASU has been applied retrospectively to all periods presented which did not have a material effect on the consolidated financial statement balances for the years ended September 30, 2020 and 2019.

In August 2018, the FASB issued ASU 2018-03, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which modify the disclosure requirements on fair value measurements. The System adopted ASU 2018-03 during the year ended September 30, 2020. The adoption of this guidance did not have a material impact on the System's consolidated financial statements.

Reclassifications

Certain reclassifications have been made to the prior year balances in order to comply with current year presentation.

Note 2. Community Benefits - Unaudited

The System provides healthcare services to patients who are economically disadvantaged and medically underserved. These patients may not be able to afford health care because of inadequate resources or they may be uninsured.

See Note 3 for a discussion of the System's financial assistance policy.

Note 2. Community Benefits - Unaudited (Continued)

As a long-standing member of the Baton Rouge community and one of the largest employers in the Baton Rouge area, BRGMC recognizes the positive impact of non-profit organizations working to improve our community. That's why BRGMC developed the Community Enhancement Award (CEA), a grant program that allows us to select and support large projects with significant, multi-year grants. This award replaces our former sponsorship process to focus on complex initiatives that align with our mission to restore and maintain health, one person at a time.

In 2019, Front Yard Bikes was selected as one recipient of the CEA, for its youth development program in partnership with Cristo Rey Baton Rouge. BRGMC's investment supports high school equivalency testing and job training for hundreds of young people between 14 and 22. The grant funds apprentice training for four Cristo Rey students who will then assist instructors in certifying other young people in mechanics or welding.

The Arts Council of Greater Baton Rouge was also selected as a 2019 recipient for its heART trails project, which uses existing infrastructure to develop heart-shaped walking trails throughout Baton Rouge. BRGMC's investment will allow for the design and installation of three heART trails at targeted locations around Baton Rouge. The heART trails project makes moderate aerobic activity accessible to everyone and encourages a healthy lifestyle by creating a more walkable and bikeable Baton Rouge.

BRGMC named HOPE Ministries' The Way to Work Sustainable Workforce SOLUTIONS (TWTW) division as the recipient of its first CEA in 2018, for its work educating both employers and potential and existing employees on the relationship between life skills, job retention, and advancement.

Decades ago, BRGMC recognized the need to invest in the Mid-City neighborhood surrounding its flagship hospital. As a result, General Health System established the Mid-City Redevelopment Alliance (MCRA), a separate nonprofit 501(c)(3) organization with the mission of revitalizing the heart of Baton Rouge. Though MCRA was launched to independence in 2011, General Health System continues to provide funding to support its programs, which improve the quality of life in the central urban core of Baton Rouge. More than 300 homes and businesses have benefitted from improvement projects led by MCRA, and the number of merchants in the area has grown to more than 150. The organization is actively building new affordable housing units and is working with existing residents to strengthen all Mid City neighborhoods.

Note 2. Community Benefits - Unaudited (Continued)

BRGMC recognizes the critical role of education in cultivating future clinician leaders. For more than 25 years we have had the privilege of training aspiring medical professionals in healthcare. As we treat patients of all ages and virtually every type of medical condition, our hospital is an ideal setting for undergraduate and graduate medical, nursing, and allied healthcare training. Every year we train more than 100 residents, paving a bright future for comprehensive healthcare access in Louisiana. In addition to our School of Nursing and School of Radiologic Technology, undergraduate medical students in the clinical years are able to rotate on services that satisfy medical school requirements in certain disciplines and/or pursue desired electives. We are affiliated with several medical school programs, including the Tulane School of Medicine, LSU School of Medicine, and the American University of the Caribbean School of Medicine. We also offer graduate medical education residency programs in internal medicine and family medicine and serve as a participating site in surgery and emergency medicine residency programs.

The region’s only verified burn center is also located at BRGMC. Recognized by the American Burn Association and American College of Surgeons as Louisiana’s only verified burn center, and the only verified center between Florida and Texas, BRGMC treats nearly 90 percent of all burns in the Baton Rouge region each year, including pediatric and adult burn patients. From almost 200 zip codes between Gainesville, FL.; through New Orleans, LA; and to Dallas, TX, BRGMC treats all aspects of burn injuries including flame, scald, electrical, chemical, and hot substances. The Burn Center’s 42-member multidisciplinary team has 400 years of combined experience, and includes burn surgeons, specialty nurses, dietitians, respiratory therapists, rehabilitation therapists, psychiatrists, ophthalmologists, ENTs, and social workers.

Health education is one of BRGMC’s highest priorities. The Hospital provides many free educational events, health screenings and special programs encouraging community health and wellness. This year, the COVID-19 pandemic dramatically affected the hospital’s community outreach. Restricted visitor policies at the hospital, state stay-at-home orders, and guidelines on group gatherings hindered most screenings and health events planned. Between technology and smart, safe planning, BRGMC was able to host some key events.

Note 2. Community Benefits - Unaudited (Continued)

In FY2020, we held the following community events:

- Each year, BRGMC provides health screenings to aid in early detection. The screenings are led by physicians and other clinical experts.
  - Mammography Screening held in October - 49 women were screened.
  - In October, BRGMC launched its annual Protect your Pumpkins campaign encouraging women 40 and older to schedule their mammogram. In previous years, there was a large pop-up pink pumpkin patch on the hospital's Bluebonnet campus, to further engage the community in the breast cancer awareness message. However, this year we couldn't hold the pumpkin patch due to the large crowds it typically sees.
- BRGMC offers cancer patients several free resources and support groups led by clinical experts on the topics of breast cancer, lymphedema, and prostate cancer, among others. Specialized wellness and exercise classes are also provided. In addition, a Look Good Feel Better workshop was held in January (three others had to be canceled), with volunteer beauty professionals lending their support to women with cancer - from makeup tips and wig selection to nail care and clothing do's and don'ts.
- Vascular Screening (for Peripheral Artery Disease) held in February - 35 people were screened.
- Boomers & Beyond Senior Wellness Screening held in October - 26 people were screened.
- BRGMC offered drive-up flu shot events in the fall. Physician clinics teamed up with various YMCA locations to reach the community, including Zachary, Mid-City, and the O'Neal area - 98 people received flu shots.
- BRGMC provides tours of its Birth Center, classes for expecting parents with topics such as childbirth preparation, breastfeeding, caring for a baby, and baby CPR techniques as well as a breastfeeding support group that are led by clinicians and health experts. Tours and classes were held pre-COVID, however the childbirth classes transitioned to virtual learning packets as the pandemic continued.
- BRGMC offers small-group classes for both boys (Boys to Men) and girls (Girl Talk) to discuss puberty, including skin and body changes, proper hygiene, and more. The classes are led by a physician. This year, BRGMC hosted four (4) Boys to Men classes and three (3) Girl Talk classes, incorporating both virtual learning and social distancing.

Note 2. Community Benefits - Unaudited (Continued)

- Several times a year, BRGMC offers a 5-week, comprehensive smoking cessation program to help smokers quit and to address real issues surrounding the lifestyle of a smoker.

- BRGMC offers free weight loss support groups for patients who are considering or have undergone weight loss surgery.

- BRGMC hosts monthly Lunch & Learn seminars that feature physician and clinical experts discussing topics such as heart health, women's health, senior wellness, and immunizations. In FY2020, we were unable to host these seminars.

- BRGMC hosts Holiday Lights each starting in late November. Typically, over 15,000 people visit our Bluebonnet campus during free Family Nights. This year, we did not host the large Family Night events, but the public could walk through or drive by the lights every night from November 20 - December 31.

- BRGMC had planned for its 2020 annual 5K & 1-mile fun run to move to the Mid-City area, but the early May race was cancelled. In 2019 over 100 people were in attendance.

- BRGMC had scheduled a March 21 health fair with Healthy Blue, Blue Cross Blue Shield and other community partners at the BRGMC Mid City campus. The event had to be cancelled because of COVID.

For patients who meet certain criteria under the System's financial assistance policy, care is provided without charge or at amounts that are less than established rates. Benefits to the indigent also include charges and costs in excess of government payments for services provided to Medicaid beneficiaries.

The System also commits significant time and resources to others who may not qualify as indigent, but who still require special services and support. These benefits include charges and costs in excess of government payments for care provided to Medicare beneficiaries.

Note 2. Community Benefits - Unaudited (Continued)

A summary of charges and estimated costs in excess of payments related to community benefits provided during the years ended September 30, 2020 and 2019 is as follows:

	2020		2019	
	Charges	Estimated Costs In Excess of Payments	Charges	Estimated Costs In Excess of Payments
		(In Thousands)		
Benefits for the indigent				
Financial assistance	$ 5,096	$ 1,162	$ 5,375	$ 1,075
Medicaid program services	136,954	-	129,756	-
	142,050	1,162	135,131	1,075
Other community benefits				
Medicare program services	222,406	-	240,909	-
Other community benefits	-	319	-	285
	222,406	319	240,909	285
Total quantifiable benefits	$ 364,456	$ 1,481	$ 376,040	$ 1,360

During the years ended September 30, 2020 and 2019, there were also additional community benefit payments made by the Hospital totaling approximately $45,975,000 and $26,975,000, respectively, which are recorded in supplies and other expenses on the statements of operations.

Note 3. Third-Party Reimbursement

As mentioned in Note 1, the System has agreements with third-party payors that provide for payments to the System at amounts different from established rates. The primary third-party programs include Medicare and Medicaid, which account for a significant amount of the System's revenue. A summary of the payment arrangements with major third-party payors follows:

Medicare - The System is paid for inpatient and outpatient acute care services rendered to Medicare program beneficiaries under prospectively determined rates. Outpatient services are also reimbursed prospectively under a rate per Ambulatory Payment Classification. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Final settlement is determined after submission of the System's annual cost reports and audits thereof by the Medicare fiscal intermediary.

The System's Medicare cost reports have been audited by the Medicare fiscal intermediary through September 30, 2013.

Note 3. Third-Party Reimbursement (Continued)

Medicaid - Inpatient care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per day. Certain outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The System is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the System and audits thereof by the Medicaid fiscal intermediary.

The System's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through September 30, 2011.

During the years ended September 30, 2020 and 2019, approximately 42% and 38%, respectively, of consolidated net patient service revenue was derived from Medicare and Medicaid program beneficiaries. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

The System has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment under these agreements includes prospectively determined rates-per-discharge, discounts from established charges and prospectively determined daily rates. The System provides healthcare services to patients who are economically disadvantaged and medically underserved. Either these patients generally cannot afford health care because of inadequate resources, or they are uninsured.

The System follows ASU 2010-23, *Health Care Entities (Topic 954): Measuring Charity Care for Disclosure*, which states that the level of financial assistance provided should be measured based on the health care entity's direct and indirect costs of providing financial assistance services. It further states that if the costs cannot be specifically attributed to services provided to financial assistance patients, management may estimate the costs of those services using reasonable techniques, including calculating a ratio of costs to gross charges and multiplying that ratio by the gross uncompensated charges associated with providing financial assistance.

The Hospital measures its financial assistance based on the direct and indirect costs of providing financial assistance services as tracked by the accounting systems.

Charges foregone (representing charges in excess of payments) and estimated costs in excess of payments related to financial assistance totaled approximately $5,096,000 and $1,162,000, respectively, during the year ended September 30, 2020. Charges foregone (representing charges in excess of payments) and estimated costs in excess of payments related to financial assistance totaled approximately $5,375,000 and $1,075,000, respectively, during the year ended September 30, 2019.

Note 4. Unconditional Promises to Give

Unconditional promises to give at September 30, 2020 and 2019 were as follows:

	2020	2019
	(In Thousands)	
Receivable in less than one year	$ 2,992	$ 2,489
Receivable in one to five years	941	1,582
Receivable in more than five years	19	65
Total unconditional promises to give	3,952	4,136
Less: discount to net present value (discount rate was 1.63% and 1.68% as of September 30, 2020 and 2019, respectively)	(11)	690
Less: allowance for unfulfilled pledges	(558)	(556)
Net unconditional promises to give	$ 3,383	$ 4,270

Note 5. Investments

The System's investments at September 30, 2020 and 2019 were as follows:

	2020	2019
	(In Thousands)	
Investments		
Cash and cash equivalents	$ 10,609	$ 4,016
Money market deposits	4,297	233
Certificates of deposit	239	255
Exchange traded funds (ETFs)	77,272	86,692
Bond funds	91,015	16,921
Mutual funds	38	1,283
Government securities	22,502	24,940
Alternative investments	38,832	38,836
Total investments	$ 244,804	$ 173,176

See Note 1, Significant Accounting Policies, for further information about assets whose use is limited.

Note 5. Investments (Continued)

As mentioned in Note 1, fair value measurements are based on a framework that provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the System has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Note 5. Investments (Continued)

Assets measured at fair value on a recurring basis at September 30, 2020 and 2019 are summarized below (in thousands), and are included on the consolidated balance sheets as assets whose use is limited and short-term investments:

	2020			
Assets	**Level 1**	**Level 2**	**Level 3**	**Net Balance**
		(In Thousands)		
Cash and cash equivalents	**$ 10,609**	**$ -**	**$ -**	**$ 10,609**
Money market deposits	**4,297**	**-**	**-**	**4,297**
Certificates of deposit	**239**	**-**	**-**	**239**
ETFs	**77,272**	**-**	**-**	**77,272**
Bond funds	**91,015**	**-**	**-**	**91,015**
Mutual funds	**38**	**-**	**-**	**38**
Government securities	**21,951**	**551**	**-**	**22,502**
Investments measured at NAV per share*	**-**	**-**	**-**	**38,832**
	$ 205,421	**$ 551**	**$ -**	**$ 244,804**

	2019			
Assets	Level 1	Level 2	Level 3	Net Balance
		(In Thousands)		
Cash and cash equivalents	$ 4,016	$ -	$ -	$ 4,016
Money market deposits	233	-	-	233
Certificates of deposit	255	-	-	255
ETFs	86,692	-	-	86,692
Bond funds	16,921	-	-	16,921
Mutual funds	1,283	-	-	1,283
Government securities	24,890	50	-	24,940
Investments measured at NAV per share*	-	-	-	38,836
	$ 134,290	$ 50	$ -	$ 173,176

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

Note 5. Investments (Continued)

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2020 from those used in 2019.

- *Common stocks, corporate bonds, and U.S. government securities*: Valued at the closing price reported on the active market on which the individual securities are traded.

- *Exchange traded funds (ETF) and mutual funds*: Valued at the daily closing price as quoted in active markets. Mutual funds held by the System are open-end mutual funds that are registered with the Securities and Exchange Commission (SEC). The Net Asset Value (NAV) of an ETF is calculated in the same manner as it is for a mutual fund: by summing the total assets and subtracting the total liabilities, divided by the number of shares outstanding. The NAV is the value used to compare it with other funds and to calculate performance statistics. However, the NAV may not represent the current value of an ETF since the component prices change throughout the trading day. Therefore, the NAV is calculated only at the end of the trading day. The ETFs held by the System are deemed to be actively traded and valued at the NAV calculated at the end of the trading day.

- *Cash and cash equivalents, money market deposits, and certificates of deposit*: Valued at cost which approximates fair value.

- *Alternative investments (hedge funds)*: Hedge funds are usually organized as limited partnerships, with the manager being the general partner who makes the investments decisions, and has a significant stake in the fund. Since hedge funds are private investment pools, securities are issued as private offerings. Valued based on the net asset value per share, without further adjustment. Net asset value is based upon the fair value of the underlying investments.

Note 5. Investments (Continued)

Fair Value of Investments that Calculate Net Asset Value per Share

The following table summarizes investments measured at fair value based on net asset value per share as of September 30, 2020 (in thousands):

September 30, 2020		Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Hedge Funds:					
AQR Style Premia Fund L.P. (CL B)	(A)	$ 1,743	None	15th Calendar Day of Each Month or Last Business Day of Each Month	15/30 Days
Cumulus Energy Fund, LP (CL A)	(B)	2	None	Monthly	30 Days
Lyxor-Balyasny Atlas Enhanced Fund LTD (CL B)	(C)	2,307	None	Monthly	45 Days
Lyxor-Balyasny Atlas Enhanced Fund LTD (CL L)	(D)	1,144	None	Quarterly	65 Days
Lyxor-Bridgewater Fund LTD (CL B)	(E)	2,234	None	Weekly	2 days
Lyxor-Sandler Plus Offshore Fund Limited (CL B)	(F)	3,000	None	Weekly	2 days
Millennium International LTD	(G)	7,772	None	Quarterly	90 Days
Palmetto Fund, LTD (Nephila) (CL D)	(H)	1,758	None	Quarterly	90 Days
PIMCO Loan Interests and Credit Offshore Fund LTD	(I)	1,896	None	Monthly	60 Days
Two Sigma Absolute Return Cayman Fund LTD (CL A1)	(J)	2,526	None	Monthly	30 Days
Winton Futures Fund LTD (CL B)	(K)	1,783	None	Monthly	30 Days
York Credit Opportunities Unit Trust (CL A)	(L)	585	None	Annually	60 Days
DW Catalyst Offshore Fund, LTD (CL A)	(M)	1,096	None	Quarterly	90 Days
Oceanic Hedge Fund (CL B)	(N)	1,350	None	Monthly	90 Days
Lyxor - Marshall Wace TOPS European Fund, LTD	(O)	288	None	Weekly	2 days
Luminus Energy Partners, LTD	(P)	1,480	None	Quarterly	90 Days
Seer Capital Partners Offshore Fund, LTD	(Q)	3,178	None	Quarterly	90 Days
CFM Discus Feeder Fund Limited (CL B)	(R)	2,107	None	Monthly	15 Days
Marshall Wace Tops Fund PLC	(S)	2,583	None	Monthly	30 Days
		$ 38,832			

Note 5. Investments (Continued)

Fair Value of Investments that Calculate Net Asset Value per Share (Continued)

The following table summarizes investments measured at fair value based on net asset value per share as of September 30, 2019 (in thousands):

September 30, 2019		Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Hedge Funds:					
AQR Style Premia Fund L.P. (CL B)	(A)	$ 2,330	None	Semi-Monthly or Monthly	15 or 30 Days
Cumulus Energy Fund, LP (CL A)	(B)	3	None	Monthly	30 Days
Lyxor-Balyasny Atlas Enhanced Fund LTD (CL B)	(C)	1,834	None	Monthly	45 Days
Lyxor-Balyasny Atlas Enhanced Fund LTD (CL L)	(D)	908	None	Quarterly	65 Days
Lyxor-Bridgewater Fund LTD (CL B)	(E)	2,755	None	Weekly	2 Days
Lyxor-Sandler Plus Offshore Fund Limited (CL B)	(F)	2,666	None	Weekly	2 Days
Millennium International LTD	(G)	7,343	None	Quarterly	90 Days
Palmetto Fund, LTD (Nephila) (CL D)	(H)	1,798	None	Quarterly	90 Days
PIMCO Loan Interests and Credit Offshore Fund LTD	(I)	2,002	None	Monthly	60 Days
Two Sigma Absolute Return Cayman Fund LTD (CL A1)	(J)	2,565	None	Monthly	30 Days
Winton Futures Fund LTD (CL B)	(K)	2,231	None	Monthly	2 Days
York Credit Opportunities Unit Trust (CL A)	(L)	1,378	None	Annually	60 Days
DW Catalyst Offshore Fund, LTD (CL A)	(M)	2,094	None	Quarterly	90 Days
Oceanic Hedge Fund (CL B)	(N)	1,261	None	Monthly	90 Days
Lyxor - Marshall Wace TOPS European Fund, LTD	(O)	2,535	None	Weekly	2 Days
Luminus Energy Partners, LTD	(P)	1,960	None	Quarterly	3 Calendar Months
Seer Capital Partners Offshore Fund, LTD	(Q)	3,173	None	Quarterly	90 Days
		$ 38,836			

(A) AQR Style Premia Fund, L.P. is a feeder fund in a master-feeder structure and invests exclusively in AQR Style Premia Master Account, L.P., an exempted limited partnership incorporated under the laws of the Cayman Islands. AQR Style Premia Fund' L.P. and AQR Style Premia Master Account, L.P.'s primary objectives are to produce high risk-adjusted returns while maintaining low-to-zero correlation to traditional markets. AQR Style Premia Master Account, L.P. pursues these goals by investing in a combination of different investment strategies that apply quantitative return forecasting models and systematic risk control methods. Each of these investment strategies is designed to (a) target positive excess returns over a cash investment, (b) target a specific controlled level of volatility, and (c) exhibit low-to-zero correlation to other traditional and nontraditional markets. AQR Style Premia Master Account, L.P. will invest globally in a broad range of instruments, including without limitation, equities, currencies, futures, forwards, options, swaps, and other derivative products.

Note 5. Investments (Continued)

Fair Value of Investments that Calculate Net Asset Value per Share (Continued)

(B) Cumulus Energy Fund, LP is organized as a feeder fund and all of the Fund's assets (to the extent not retained in cash) are invested solely in the shares of Cumulus Energy Master Fund, an open-ended multi-class exempted company incorporated with limited liability in the Cayman Islands. Cumulus Energy Fund, LP is a shareholder in Cumulus Energy Master Fund together with another entity. The investment objective of Cumulus Energy Master Fund is to achieve an enhanced risk-adjusted return from the available assets through focusing typically, but not exclusively, on opportunities arising from weather and climate events and expectations whilst seeking to minimize exposure to general market risk.

(C) Lyxor-Balyasny Atlas Enhanced Fund LTD is setup as a multi-class investment fund whose investment objective is to primarily achieve capital appreciation and deliver absolute returns across a number of investment strategies in all market environments. This investment is in Class B Shares.

(D) Lyxor-Balyasny Atlas Enhanced Fund LTD is setup as a multi-class investment fund whose investment objective is to primarily achieve capital appreciation and deliver absolute returns across a number of investment strategies in all market environments. This investment is in Class L Shares.

(E) Lyxor-Bridgewater Fund LTD is setup as a multi-class investment fund to provide a competitive return by trading the global markets.

(F) Lyxor-Sandler Plus Offshore Fund Limited is a hedge fund that invests in public equity markets. It also employs long/short strategy to make its investments. Lyxor/Sandler Plus Offshore Fund Limited is domiciled in United States.

(G) Millennium International LTD is the domestic feeder fund of Millennium Partners L.P. Millennium Partners, L.P. is a trading partnership engaged in the business of trading equities, fixed income products, options, futures, and other financial instruments.

(H) Palmetto Fund, LTD (Nephila) is incorporated under the laws of Bermuda as an open-ended investment company and seeks to achieve its investment objectives through investing substantially all of its investable assets in Palmetto Catastrophe Master Fund, LTD.

(I) PIMCO Loan Interests and Credit Offshore Fund LTD is a hedge fund that invests all or substantially all of its assets in PIMCO Loan Interests and Credit Master Fund. PIMCO Loan Interests and Credit Offshore Fund, Ltd. and PIMCO Loan Interests and Credit Master Fund's investment objective is to provide enhanced risk-adjusted total return through investment primarily in high-yield instruments, including without limitation, investing in the global loan, and high-yield bond markets.

(J) Two Sigma Absolute Return Cayman Fund LTD was organized as a Cayman Islands exempted company, registered under the Cayman Islands' Mutual Funds Law. The investment objective of Two Sigma Absolute Return Cayman Fund LTD is to achieve absolute U.S. dollar-denominated returns primarily by combining multiple model-driven investment strategies with proprietary risk management and execution techniques.

Note 5. Investments (Continued)

Fair Value of Investments that Calculate Net Asset Value per Share (Continued)

(K) Winton Futures Fund LTD incorporated under the laws of the British Virgin Islands as an open-ended investment company with limited liability and engages in the speculative trading and investment in international futures, options, and forward markets.

(L) York Credit Opportunities Unit Trust is a fund that invests in a master fund which in turn invests in long and short positions in equity and debt of companies undergoing Chapter 11 reorganization or other types of restructuring.

(M) DW Catalyst Offshore Fund, LTD, formerly Brevan Howard Credit Catalysts Fund Limited, is a feeder fund in a master-feeder structure and invests exclusively in DW Partners, L.P., an exempted company with limited liability which was incorporated under the Companies Law of the Cayman Islands. The investment objective of DW Partners, L.P. is to employ a multi-strategy approach to investing in order to generate attractive risk-adjusted returns via careful investment selection, portfolio construction, and risk management.

(N) Oceanic Hedge Fund is an exempted company incorporated in the Cayman Islands. Oceanic Hedge Fund's objective is to achieve capital appreciation through focused long/short investments in the shipping, energy, and related sectors and associated commodities.

(O) Lyxor-Marshall Wace TOPS European Fund, LTD is a hedge fund that invests in long- and short-term positions in equities and related derivatives.

(P) Luminus Energy Partners, LTD is a hedge fund that invests all or substantially all of its assets in Luminus Energy Partners Master Fund, LTD, Luminus Energy Partners, LTD, and Luminus Energy Partners Master Fund, LTD's investment objective are to generate and deliver consistent absolute returns, in both up and down markets, while substantially limiting market risk by investment in core investment sectors including power, energy, utilities, and related industries and sectors.

(Q) Seer Capital Partners Offshore Fund, LTD, is a hedge fund that invests all or substantially all of its assets in Seer Capital Partners Master Fund L.P. and Subsidiary. Seer Capital Partners Offshore Fund, LTD, and Seer Capital Partners Master Fund, L.P. and Subsidiary is a diversified, credit focused investment firm that primarily invests in structured credit and loans.

(R) CFM-Discus Feeder Fund Limited is a feeder fund that invests all or substantially all of its assets in Discus Holdings LTD. CFM-Discus Feeder Fund Limited's investment objective is to achieve long-term capital appreciation through returns that seek to be uncorrelated with traditional asset classes by investing its assets in Discus Holdings LTD that follows the Discus trading program.

(S) Marshall Wace Tops Fund PLC is a feeder fund with thirteen active sub-funds with varying investment objectives including providing investors with above absolute returns, average absolute returns, long term capital growth, risk-adjusted returns, above average absolute returns with variable net market exposure, above average absolute returns with low net market exposure, and consistent absolute returns, primarily through investing and trading in various equities and equity related instruments and other funds.

Note 6. Affiliates

Investment in Affiliates

On December 23, 2009, the System purchased a 45% interest in Baton Rouge Rehabilitation Hospital, L.L.C. (BRRH) and Baton Rouge Rehabilitation Development, L.L.C. (BRRD) for a purchase price of $4,380,000. Baton Rouge Rehabilitation Hospital is an 80 bed, Medicare certified inpatient rehabilitation hospital that offers a variety of rehabilitation services to Baton Rouge and the surrounding area. The investments in BRRH and BRRD are reported on the equity method of accounting and are included in the accompanying consolidated balance sheets as other assets.

On July 17, 2012, the System entered into an operating agreement to own and operate Radiation Oncology Center - Zachary (ROC-Zachary) with the Hospital Service District No. 1 of the Parish of East Baton Rouge, Louisiana, a Louisiana political subdivision d/b/a Lane Regional Medical Center, and Bayou Income Group, LLC. On October 1, 2017, the System increased its membership interest from 50% to 70%. In accordance with its 70% membership interest, the System entered into a contribution agreement for contributions when needed. As of September 30, 2020, the System’s contributions to date totaled approximately $2,621,000. The purpose of ROC-Zachary is to operate a radiation oncology center. The center opened in February 2014. The investment in ROC-Zachary is reported on the equity method of accounting because management determined the other LLC Member has substantive participating rights. This investment is included in the accompanying consolidated balance sheets as other assets.

On January 1, 2015, the System purchased a 50% interest in Verity Healthnet, L.L.C. (Verity) for a purchase price of $4,969,853. Verity operates as a healthcare provider network based in Louisiana to represent self-funded employers, third-party administrators, and other managed care organizations. The investment in Verity is reported on the equity method of accounting and is included in the accompanying consolidated balance sheets as other assets. On October 9, 2018, the System sold 12.5% of its interest in Verity for $1,800,000. This has been reported as a non-operating gain in the accompanying consolidated income statements. On July 1, 2020, the System repurchased 12.5% of its interest in Verity for $1,800,000. The system currently holds 37.5% interest in Verity.

On April 1, 2016, the System purchased a 33% interest in Hood Home Health Service, L.L.C. for a purchase price of $51,650. The joint venture operates a Home Health agency in the state of Louisiana under the name of Baton Rouge General Home Health. The investment in Baton Rouge General Home Health is reported on the equity method of accounting and is included in the accompanying consolidated balance sheets as other assets.

Note 6. Affiliates (Continued)

Investment in Affiliates (Continued)

On November 1, 2017, the System purchased an 18% interest in Transformyx Inc. for a purchase price of $2,970,000. Transformyx Inc. provides strategic technology and business solutions to Baton Rouge. The investment in Transformyx Inc. is reported on the equity method of accounting because management determined the System has significant influence on the operations of Transformyx Inc. This investment is included in the accompanying consolidated balance sheets as other assets. The System contracts with Transformyx Inc. for information technology services. During the years ended September 30, 2020 and 2019, these contract payments totaled approximately $3,983,000 and $2,065,000, respectively. At December 31, 2020 and 2019, the System owed Transformyx approximately $105,000 and $177,000, respectively, related to these services which is included in the accompanying consolidated balance sheets as trade accounts payable.

On January 1, 2018, the System purchased a 50% interest in Dutchtown Urgent Care (DUTC) for a purchase price of $250,000. DUTC operates an urgent care center in Geismar, Louisiana, specializing in common illnesses and injuries. The investment in DUTC is reported on the equity method of accounting and is included in the accompanying consolidated balance sheets as other assets.

On March 1, 2018, the System purchased a 30% interest in Mid City Specialty Center, L.L.C. (MCSC) for a purchase price of $207,000. The joint venture operates an ambulatory surgery center located at the System's Mid City campus, specializing in same-day surgeries and minimally invasive procedures for vascular patients. The investment in MCSC is reported on the equity method of accounting and is included in the accompanying consolidated balance sheets as other assets.

On December 5, 2019, the System purchased a 50% interest in Baton Rouge Wellness and Recovery Services, L.L.C. (BRWR) for a purchase price of $122,000. BRWR was created to own and operate certain impatient and outpatient facilities providing psychiatric and addiction services in the Baton Rouge, Louisiana area. The investment in BRWR is reported on the equity method of accounting and is included in the accompanying consolidated balance sheets as other assets.

On February 28, 2020, the System purchased a 52.65% interest in Louisiana Independent Hospital Network Coalition, L.L.C. (LIHNC) for a purchase price of $60,064. LIHNC operates a joint venture with other regional healthcare providers to increase access and quality of care and improving operational efficiencies between its members. The investment in LIHNC is reported on the equity method of accounting and is included in the accompanying consolidated balance sheets as other assets.

Note 6. Affiliates (Continued)

Investment in Affiliates (Continued)

These investments are summarized as follows:

	2020	2019
	(In Thousands)	
Rehabilitation Hospital (BRRH)		
Beginning balance	$ 1,576	$ 1,866
Distributions	(1,408)	(923)
Net income (45%)	2,087	633
	$ 2,255	$ 1,576
Rehabilitation Development (BRRD)		
Beginning balance	$ 2,665	$ 2,487
Distributions	(666)	(412)
Net income (45%)	585	590
	$ 2,584	$ 2,665
ROC-Zachary		
Beginning balance	$ 1,053	$ 830
Contributions	79	447
Net loss (70%)	(388)	(224)
	$ 744	$ 1,053
Baton Rouge General Home Health		
Beginning balance	$ 64	$ 45
Distributions	(133)	(42)
Net income (33%)	114	61
	$ 45	$ 64
Transformyx, LLC		
Beginning balance	$ 2,891	$ 2,925
Distributions	-	(1)
Net loss (18%)	(25)	(33)
	$ 2,866	$ 2,891
Dutchtown Urgent Care Clinic, LLC		
Beginning balance	$ 373	$ 286
Net (loss) income (50%)	(35)	87
	$ 338	$ 373
Verity Healthnet, LLC		
Beginning balance	$ (17)	$ (18)
Contributions	2,000	-
Net (loss) income (50 % through 7/31, 37.5% after)	(133)	1
	$ 1,850	$ (17)
Mid-City Specialty Center, LLC		
Beginning balance	$ 312	$ 123
Distributions	(439)	(117)
Net income (30%)	183	306
	$ 56	$ 312

Note 6. Affiliates (Continued)

Investment in Affiliates (Continued)

	2020	2019
	(In Thousands)	
Baton Rouge Wellness and Recovery Services, LLC		
Beginning balance	**$ -**	$ -
Contributions	**122**	-
Net loss (50 % through 7/31, 37.5% after)	**(122)**	-
	$ -	$ -
Louisiana Independent Hospital Network Coalition, LLC		
Beginning balance	**$ -**	$ -
Contributions	**60**	-
Net loss (50 % through 7/31, 37.5% after)	**(58)**	-
	$ 2	$ -
Total equity investments	**$ 10,738**	$ 8,917

Summarized financial information for entities carried under the equity method are as follows as of and for the year ended September 30, 2020:

	Total Assets	**Total Liabilities**	**Equity**	**Net Income (Loss)**
		(In Thousands)		
BRRH	$ 9,799	$ 4,788	$ 5,011	$ 4,636
BRRD	$ 5,747	$ -	$ 5,747	$ 1,300
ROC - Zachary	$ 1,487	$ 227	$ 1,260	$ (556)
BRG Home Health	$ 591	$ 460	$ 131	$ 345
Transformyx	$ 13,743	$ 9,003	$ 4,740	$ 117
Verity Healthnet	$ 351	$ 386	$ (35)	$ 169
Dutchtown Urgent Care	$ 328	$ 182	$ 146	$ (122)
Mid City Specialty Center	$ 1,409	$ 1,224	$ 185	$ 610
BRWR	$ 52	$ 174	$ (122)	$ (186)
LIHNC	$ (15)	$ -	$ (15)	$ (111)

Note 6. Affiliates (Continued)

Investment in Affiliates (Continued)

Summarized financial information for entities carried under the equity method are as follows as of and for the year ended September 30, 2019:

	Total Assets	Total Liabilities	Equity	Net Income (Loss)
		(In Thousands)		
BRRH	$ 4,365	$ 860	$ 3,505	$ 1,421
BRRD	$ 5,926	$ -	$ 5,926	$ 1,312
ROC - Zachary	$ 1,934	$ 287	$ 1,647	$ (320)
BRG Home Health	$ 288	$ 99	$ 189	$ 185
Transformyx	$ 11,622	$ 6,995	$ 4,627	$ (183)
Verity Healthnet	$ 54	$ 89	$ (35)	$ 2
Dutchtown Urgent Care	$ 351	$ 133	$ 218	$ 176
Mid-City Specialty Center	$ 1,576	$ 536	$ 1,040	$ 1,020

Transactions with Affiliates

At September 30, 2020 and 2019, the System had a receivable of approximately $1,682,000 and $1,105,000, respectively, due from joint venture partners for various operating and payroll expenses, which is reported in the accompanying consolidated balance sheets within prepaid expenses and other assets.

The System also contracts with affiliates for physician services and medical teaching services. Affiliates, as used within these statements, are persons or entities that are affiliated with the System though common ownership and directorate control. During 2020 and 2019, these contract payments totaled $6,363,000 and $8,208,000, respectively.

Note 7. Property, Plant, and Equipment

Property, plant, and equipment and accumulated depreciation at September 30, 2020 and 2019, are as follows:

	2020	2019
	(In Thousands)	
Land and land improvements	$ 39,868	$ 39,802
Buildings and fixed equipment	307,338	303,819
Equipment	186,632	170,429
Construction in progress	34,525	8,736
	568,363	522,786
Accumulated depreciation	(323,165)	(307,271)
	$ 245,198	$ 215,515

Depreciation expense was approximately $16,144,000 and $16,924,000 for the years ended September 30, 2020 and 2019, respectively.

Note 8. Long-Term Debt

Long-term debt, as presented on the consolidated balance sheets, is comprised of both bond indentures and bank debt. A summary of both bond indentures and bank debt is summarized as follows (in thousands):

	2020	2019
Series 2011, LA Local Government Environmental Facilities and Community Development Authority-Gulf Opportunity Zone Revenue Bonds issued on behalf of General Health System (Obligor). $28,000,000 of serial bonds, variable interest. Quarterly principal and interest payments of $250,000 through maturity at October 1, 2041. Secured by a mortgage on medical office building which was constructed with the proceeds of issue.	$ 21,000	$ 22,000
Note payable with Bank, original principal of $3,704,000, with interest rate of 3.25% per annum, monthly principal and interest payments of $26,116 beginning on September 1, 2015 and maturing on August 31, 2022. Secured by deposits held by Bank.	2,634	2,851
Note payable with Bank, original principal of $4,936,000, interest rate of 3.25% per annum. Monthly principal and interest payments of $89,359 beginning on September 1, 2015 and maturing on August 31, 2020. Unsecured.	-	880

Note 8. Long-Term Debt (Continued)

	2020	2019
Mortgage payable to Bank, original principal of $175,983,168, interest rate of 2.98% per annum, principal and interest payable monthly in the amount of $974,237, maturing on January 1, 2033. Loan was issued to refinance 2012 series bonds. This loan, with a principal balance of $129,158,260 was modified on September 1, 2019. Interest was reduced to 2.85%, principal and interest payable monthly in the amount $966,292, maturing on January 1, 2033. Secured by building. Insured by HUD.	**120,395**	128,493
Mortgage payable to Bank, original principal of $45,474,000 with interest rate of 4.74% per annum. As of September 30, 2020, BRGMC had drawn $35,577,860. Interest computed and payable monthly through April 2020. Beginning in May 2020, principal and interest payable monthly in the amount of $353,477, maturing May 1, 2035. Secured by building. Insured by HUD.	**34,702**	20,226
Note payable with Bank, original amount of $2,100,000, interest rate of 3.95%, per annum, principal and interest payable monthly in the amount of $26,876, maturing on September 30, 2023. Secured by deposits held by Bank.	**913**	1,196
	179,644	175,646
Less: principal payments due within one year	**(11,513)**	(11,252)
Less: debt issuance costs	**(2,973)**	(3,222)
Total long-term debt	**$ 165,158**	$ 161,172

Under the terms of the bond indentures, the System is required to make certain deposits with a trustee. Such deposits are included within assets whose use is limited on the consolidated balance sheets. See Note 1. The bond indentures also limit the incurrence of additional borrowings and require that certain measures of financial performance be met as long as the bonds are outstanding. Management is not aware of any non-compliance with these requirements.

The scheduled maturities of long-term debt for the next five years ending September 30th are as follows: (in thousands)

2021	$ 11,513
2022	14,509
2023	12,453
2024	12,508
2025	12,887
Thereafter	115,774
	$ 179,644

Note 8. Long-Term Debt (Continued)

Interest expense charged to operations was approximately $6,060,000 and $6,563,000 for the years ended September 30, 2020 and 2019, respectively. Interest expense capitalized into construction in progress was approximately $902,000 and $314,000 for the years ended September 30, 2020 and 2019, respectively.

Note 9. Employee Benefit Plans

Defined Contribution Plan
Substantially all employees of the System are eligible to participate in the General Health System Retirement Plus Plan (GHSRP Plan) provided they meet certain service and eligibility requirements. The GHSRP Plan is a defined contribution plan. Newly hired and eligible employees are automatically enrolled in the GHSRP Plan within 30 days after their hire date. If employees do not specifically elect an alternative deferral amount (including zero), then as soon as administratively feasible after the end of that 30-day period, 4% of their compensation will automatically be withheld from each paycheck and deposited into a plan account in their name as a salary deferral. The GHSRP Plan also allows for voluntary contributions by employees up to 100% of their annual compensation, subject to certain limits. The System matches 50% of the employee's deferral up to 6% of annual compensation, to participants who are at least 21 years of age and have completed one year of service, defined as 1,000 hours worked. A participant is 100% vested in the System match after completing three years of credited service. System matching contributions to the GHSRP Plan totaled approximately $3,297,000 and $3,152,000 for the years ended September 30, 2020 and 2019, respectively.

Note 10. Contingencies and Risk Management

Malpractice claims that fall within the System's adopted policy of self-insurance (see Note 1) have been asserted against the System by various claimants. The claims are in various stages of processing and some may ultimately be brought to trial.

The accrual for malpractice and general liability self-insurance reserves totaled approximately $4,509,000 at September 30, 2020, of which $1,536,000 was discounted at 4% and the remainder of $2,973,000 undiscounted. The accrual for malpractice and general liability self-insurance reserves totaled approximately $5,638,000 at September 30, 2019, of which $2,228,000 was discounted at 4% with the remainder of $3,410,000 undiscounted. $3,101,000 and $3,387,000 is included in current liabilities at September 30, 2020 and 2019, respectively. Fully undiscounted malpractice and general liability self-insurance claims totaled $4,827,000 $5,976,000 at September 30, 2020 and 2019, respectively. Based on management's best knowledge and belief, it is the opinion of management that the ultimate resolution of malpractice claims and incidents will not have a material effect on the System's consolidated financial statements.

Note 10. Contingencies and Risk Management (Continued)

In addition to the malpractice and general liabilities reserves, the System has reserved for workers' compensation claims. The reserves, which were discounted at 5%, totaled $3,626,000 and $4,097,000 at September 30, 2020 and 2019, respectively, all of which is included as current liabilities at each of those dates. Undiscounted workers' compensation claims totaled $4,782,000 and $4,946,000 at September 30, 2020 and 2019, respectively.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern", and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had, and are expected to continue to have, an adverse impact on the economies and financial markets of many countries, including the geographical area in which the System operates. It is unknown how long these conditions will last and what the complete financial effect will be to the System. Additionally, it is reasonably possible that estimates made in the financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions.

In response to the coronavirus outbreak, the Governor's Office of Homeland Security and Emergency Management provided assistance with start-up costs related to Mid-City Acute Services in an effort to increase the number of emergency beds in the region. The System received $18,447,000 in 2020. The System recognizes this as revenue as expenditures are made. In 2020, the System recognized $12,109,000 as a contribution of capital assets in the consolidated statements of changes in net assets, and $1,000,000 as net assets released from restrictions in the consolidated statements of operations. The refundable advance portion of $5,338,000 at September 30, 2020 is included within deferred revenue in the consolidated balance sheets.

In response to the economic impact of COVID-19, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted by Congress and was subsequently signed into law on March 27, 2020. The CARES Act included a variety of economic assistance provisions for businesses and individuals. Under certain provisions in the CARES Act, the System received benefits $47,987,000 related to provider relief funding , of which $18,058,000 was recognized through net assets released from restrictions in its consolidated statements of operations for the year ended September 30, 2020 and $29,929,000 is included within deferred revenue in its consolidated balance sheets as of September 30, 2020. The System also deferred payment of approximately $4,648,000 for the employer portion of the Social Security payroll tax as allowed by the CARES Act. This deferral is included as other long-term liabilities on the accompanying consolidated balance sheet as of September 30, 2020. Fifty percent of the deferred taxes must be paid by December 31, 2021 with the remainder by December 31, 2022.

Under the CARES Act, the System also received $43,277,000 in advances under the Medicare Accelerated and Advance Payments Program (AAPP) in April 2020.

Note 10. Contingencies and Risk Management (Continued)

Through the Continuing Appropriations Act, 2021 and Other Extensions Act (the CA Act) that was enacted October 1, 2020, the System will not be subject to recoupment of their Medicare payments for a period of one year from the date they received their AAPP payments. Starting on the date that is one year from their receipt of the AAPP payments, repayment will be made out of the System's future Medicare payments. The schedule for such repayments will be as follows:

- Twenty five percent (25%) of the System's Medicare payments will first offset against the outstanding AAPP balance for the next eleven (11) months.
- Fifty percent (50%) of the System's Medicare payments will first offset against the outstanding AAPP balance for the next six (6) months.
- The System will receive a letter setting forth their remaining balance and will have thirty (30) days to pay the balance in full.
- Any unpaid balance after the thirty (30) days will accrue interest at a rate of four percent (4.00%).

The System has classified these advances as Medicare advances on its consolidated balance sheets, with $8,947,000 classified as a current liability and $34,330,000 as a non-current liability.

The System obtained a total of $715,000 in loans from a qualified lender under the Paycheck Protection Program (PPP) in April 2020. The promissory notes provide for monthly installments with include interest at 1% from November 2020 through April 2022. The PPP flexibility Act of 2020 delayed repayment of principal and interest until the date that the forgiveness amount is remitted to the lender by the Small Business Administration (SBA). Under the terms of the PPP, up to 100% of the loan (and related interest) may be forgiven if the proceeds are used for covered expenses and certain other requirements related to wage rates and maintenance of full-time equivalents are met. The System applied for forgiveness with the qualified lender in 2021. The System received forgiveness of $444,000 of these loans from the SBA in April 2021 through June 2021. The amount of loan forgiveness will be reported as a component of other revenue in 2021. Based on guidance as of June 28, 2021, the System expects to achieve full forgiveness of the remaining loans and accrued interest.

The SBA may undertake a review of a loan of any size during the six-year period following forgiveness or repayment of the loan. The review may include the loan forgiveness application, as well as whether the Company received the proper loan amount. The timing and outcome of any SBA review is not known.

Note 11. Insurance Programs

The System is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee's injuries and illnesses; natural disasters; and medical malpractice.

As mentioned in Notes 1 and 10, the System is self-insured for medical claims and certain medical malpractice claims up to predetermined stop-loss amounts. Claims in excess of the stop-loss amounts are insured through commercial insurance carriers. The System has reflected its estimate of the ultimate liability for known and incurred, but not reported, claims in the accompanying consolidated financial statements as current liabilities.

The health claims liabilities at September 30, 2020 and 2019, are reported if information prior to the issuance of the consolidated financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. Changes in the System's claims liability amount during the past two years are reflected below (in thousands):

	2020	2019
Claims liability, beginning of year	**$ 1,757**	$ 1,667
Current year claims and changes in estimates	**17,110**	16,566
Current year claims payments	**(17,165)**	(16,476)
Claims liability, end of year	**$ 1,702**	$ 1,757

Note 12. Leases and Other Commitments

The System leases medical and office equipment and office buildings under several operating leases, which expire in various years through 2026. Rental expense under operating leases totaled approximately $3,118,000 and $3,073,000, for the years ended September 30, 2020 and 2019, respectively.

Note 12. Leases and Other Commitments (Continued)

Future minimum payments under all non-cancelable operating leases with original or remaining terms of one year or more at September 30, 2020, are as follows: (in thousands)

2021	$	1,300
2022		1,172
2023		1,059
2024		450
2025		198
Thereafter		338
Total minimum rental commitments	$	4,517

The System is required by the State of Louisiana Department of Employment and Training, Office of Workers' Compensation, to maintain a cash reserve for the self-insured workers' compensation plan. The System acquired a standby letter of credit to satisfy this requirement with an available balance of $2,500,000 at September 30, 2020 and 2019.

Note 13. Business and Credit Concentrations

Financial instruments which potentially subject the System to concentrations of credit risk consist principally of unsecured accounts receivable and interest-bearing depository accounts in excess of federally insured limits. The System has not experienced any losses from deposits in excess of federally insured limits and does not believe that significant credit risk exists as a result of this practice. At September 30, 2020 and 2019, approximately $11,301,000 and $6,025,000, respectively, of cash and cash equivalents was uninsured.

The System grants credit to patients, substantially all of whom are regional residents, and generally does not require collateral or other security in extending this credit; however, the System routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans, or policies (e.g., Medicare, Medicaid, and commercial insurance policies).

The mix of receivables due from patients and third-party payors at September 30, 2020 and 2019 was as follows:

	2020	2019
Medicare	**20 %**	20 %
Medicaid	**15 %**	11 %
Commercial	**65 %**	69 %
Private pay	**- %**	- %
	100 %	100 %

Note 14. Other Operating Revenue

Other operating revenue recognized during the years ended September 30, 2020 and 2019, consists of the following (in thousands):

	2020	2019
Management fees	$ 12,266	11,315
Retail pharmacy sales	9,189	5,414
Cafeteria revenue	4,372	5,247
Rent revenues	4,523	4,252
Lab service revenue	4,219	3,803
Physician shared savings payments	5,171	2,881
Gift shop sales	3,594	860
Training revenue	410	835
Contributions	598	418
EHR revenues	673	403
Purchase rebates	416	279
Other	1,933	4,638
	$ 47,364	$ 40,345

Future Rental Income

The System leases space to outside entities. These rental agreements are typically multi-year periods and are operating leases. Rental income is reported as earned over the term of the lease. Future minimum rental income under these leases is as follows (in thousands):

2021	$ 4,227
2022	3,345
2023	2,732
2024	2,184
2025	937
Thereafter	4,229
	$ 17,654

It is management's intent to seek renewal of these leases as they expire.

Note 15. Cooperative Endeavor Agreements

The System and other health care providers have collaborated with the State and units of local government in Louisiana, to more fully fund the Medicaid program and ensure the availability of quality healthcare services for the low income and needy residents in the community population. The provision of this care directly to low income and needy patients will result in the alleviation of the expense of public funds the governmental entities previously expended on such care, thereby allowing the governmental entities to increase support for the state Medicaid program for federal Medicaid Upper Payment Limits (UPL) and Full Medicaid Pricing (FMP) payments. The System recognizes UPL revenue upon receipt of payments. The System accrues FMP revenue based on invoiced amounts.

During the years ended September 30, 2020 and 2019, Medicaid UPL and FMP payments received by the System were approximately $56,115,000 and $38,981,000, respectively, which are recorded in net patient service revenues on the consolidated statements of operations, as the payments relate directly to patient care. Each State's UPL and FMP methodology must comply with its State plan and be approved by the Centers for Medicare & Medicaid Services (CMS). Federal matching funds are not available for Medicaid payments that exceed UPLs or FMPs.

Effective January 1, 2019, certain entities within the System entered into an agreement with the Quality and Outcome Improvement Network (QOIN) to facilitate payments to these entities under the State of Louisiana's Medicaid Managed Care Quality Incentive Program (Program). The Louisiana Department of Health (LDH) amended its agreements with its contracted Managed Care Organizations (MCOs) to include quality-based performance measures and quality-based outcomes. With the expected achievement of the defined quality measures, LDH will fund the MCOs, who in turn will fund the network that the hospitals contract with for this Managed Care Incentive Payment (MCIP). For each measurement year, LDH will evaluate the performance relative to the specific quality performance measures. In the event LDH finds a deficiency in the accomplishment of those performance measures, there is the potential for recoupment of the MCIPs. Under the terms of the agreement with QOIN, the System recognized revenue of approximately $3,313,000 and $-0- for the years ended September 30, 2020 and 2019, respectively which are recorded in net patient service revenues on the combined statements of operations, as the payments related directly to patient care.

Note 16. Functional Expenses

The System provides general health care services to residents within its geographic location. For the years ended September 30, 2020 and 2019, expenses related to providing these services were as follows (in thousands):

	Program							
September 30, 2020	**Healthcare Services**	**Surgical Services**	**Pharmacies**	**Greater Baton Rouge Community Health Improvement**	**Total**	**Management and General**	**Fundraising**	**Total**
Expenses								
Salaries, wages, and benefits	**$ 137,272**	**$ 3,709**	**$ 3,865**	**$ 427**	**$ 145,273**	**$ 68,364**	**$ -**	**$ 213,637**
Supplies and other expenses	**190,438**	**19,270**	**17,875**	**796**	**228,379**	**2,957**	**42**	**231,378**
Depreciation	**16,144**	**-**	**-**	**-**	**16,144**	**-**	**-**	**16,144**
Interest expense	**6,040**	**-**	**-**	**-**	**6,040**	**20**	**-**	**6,060**
Total expenses	**$ 349,894**	**$ 22,979**	**$ 21,740**	**$ 1,223**	**$ 395,836**	**$ 71,341**	**$ 42**	**$ 467,219**

	Program							
September 30, 2019	Healthcare Servcies	Surgical Services	Pharmacies	Greater Baton Rouge Community Health Improvement	Total	Management and General	Fundraising	Total
Expenses								
Salaries, wages, and benefits	$ 128,439	$ 3,314	$ 3,693	362	$ 135,808	$ 58,203	$ -	$ 194,011
Supplies and other expenses	162,315	21,994	16,986	3,565	204,860	3,909	57	208,826
Depreciation	16,924	-	-	-	16,924	-	-	16,924
Interest expense	6,536	-	-	27	6,563	-	-	6,563
Total expenses	$ 314,214	$ 25,308	$ 20,679	$ 3,954	$ 364,155	$ 62,112	$ 57	$ 426,324

Certain categories of expenses are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Those expenses are allocated on the basis of time and effort.

Note 17. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods:

	2020	2019
	(In Thousands)	
Subject to expenditure for a specified purpose:		
Healthcare programs and facilities	$ 9,310	$ 7,729
Medical education	686	475
Employee assistance program	78	75
	10,074	8,279
Subject to the System's spending policy and appropriation:		
Investment in perpetuity (including amounts above original investment of $113 and $95 at September 30, 2020 and 2019, respectively, which, once apppropriated, is expendable to support healthcare programs and medical education	310	292
	310	292
Total net assets with donor restrictions	$ 10,384	$ 8,571

Note 18. Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors.

	2020	2019
	(In Thousands)	
Covid Related Expenses	$ 17,264	-
Covid Related Property and Equipment	12,109	-
Covid Lost Revenue	1,802	$ -
Supplies	179	3,453
Property and equipment	764	979
Patient care	121	75
Employee assistance	18	34
Education	18	32
Nursing	13	21
Scholarships	3	5
Total amounts released from restriction	$ 32,291	$ 4,599

Note 19. Transfer of Net Assets

During the years ended September 30, 2020 and 2019, respectively, there was a transfer from net assets without donor restrictions to net assets with donor restrictions that was donor directed. These transfers are shown on the consolidated statements of operations and the consolidated statements of changes in net assets.

Note 20. Liquidity and Availability

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

	2020	2019
	(In Thousands)	
Cash and cash equivalents	**$ 28,588**	$ 19,481
Investments	**213,414**	143,243
Patient accounts receivable, net	**39,943**	33,411
Current portion of unconditional promises to give, net	**232**	156
	$ 282,177	$ 196,291

As part of the System's liquidity management plan, the System, through an investment manager and advice of an investment consultant, invests balances in excess of daily requirements in equities, fixed income, real assets, alternative investments, and cash and cash equivalents subject to investment policy asset allocation ranges and targets with the objective of an intermediate to long term focus of seven to ten years, as well as a cash buffer to cover the expense obligations of the System. All account investments are to be selected and diversified so as to mitigate the risk of large losses subject to the return objectives and constraints, by the manager.

Note 21. Accounting for Uncertainty in Taxes

Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. The System believes that it has appropriate support for any tax positions taken, and management has determined that there are no uncertain tax positions that are material to the financial statements.

Note 21. Accounting for Uncertainty in Taxes (Continued)

As mentioned in Note 1, the System and certain of its subsidiaries are not-for-profit entities under Section 501(c)(3) of the Internal Revenue Code and are exempt from federal income taxation. Certain other subsidiaries are for-profit entities. The operations of the for-profit subsidiaries have resulted in cumulative net operating losses for federal income tax purposes at September 30, 2020 and 2019, of approximately $91,980,000 and $92,959,000, respectively. The net operating loss carryforwards expire in varying amounts beginning in 2020 through 2039. No tax benefits related to these operating losses have been recognized in the accompanying consolidated financial statements as the for-profit entities are not expected to generate sufficient taxable income to utilize the losses prior to their expiration.

Penalties and interest assessed by income taxing authorities, if any, would be included in expenses.

Note 22. Subsequent Events

The System has evaluated subsequent events through the date that the financial statements were available to be issued, June 28, 2021, and determined that the following event requires disclosure:

The System received forgiveness from the SBA of $444,000 of PPP loans in April 2021 through June 2021. The amount of loan forgiveness will be reported as a component of other revenue in 2021.

No subsequent events occurring after this date have been evaluated for inclusion in these consolidated financial statements.

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Independent Auditor's Report on Supplementary Information

To the Board of Trustees
General Health System
Baton Rouge, Louisiana

We have audited the consolidated financial statements of General Health System (the System), as of and for the years ended September 30, 2020 and 2019, and have issued our report thereon dated June 28, 2021, which expressed an unmodified opinion on those consolidated financial statements, appears on pages 1 - 2. We have not performed any auditing procedures with respect to the audited consolidated financial statements subsequent to the date of the auditor's report on those consolidated statements. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on pages 51 - 57 is presented for the purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the comptroller General of the United States. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

LaPorte

A Professional Accounting Corporation

Metairie, LA
June 28, 2021

GENERAL HEALTH SYSTEM
Consolidating Balance Sheet
September 30, 2020
(In Thousands)

	General Health System Parent Company	General Health System Corporate Services	Baton Rouge General Medical Center	Medical Diagnostic Services, Inc.	General Health System Foundation	Verity Healthnet Accounts Management Services, Inc.	Baton Rouge General Physicians, Inc.	Gulf South Health Plans, Inc.	RRS Insurance	Office Park 73	Behavioral Health, Inc., & Other Entities	Eliminations	General Health System Consolidated
ASSETS													
Current assets													
Cash and cash equivalents	$ -	$ 4,569	$ 14,375	$ -	$ 3,199	$ -	$ 966	$ -	$ 5,479	$ -	$ -	$ -	$ 28,588
Patient accounts receivable, net	-	-	37,736	-	-	-	2,207	-	-	-	-	-	39,943
Current portion of unconditional promises to give, net	-	-	-	-	2,511	-	-	-	-	-	-	-	2,511
Inventories	-	-	9,800	-	-	-	378	-	-	-	-	-	10,178
Prepaid expenses and other assets	-	6,293	4,898	-	4	138	1,041	-	628	-	107	-	13,109
Short-term investments	-	155,047	58,352		15				-	-	-	-	213,414
Total current assets	-	165,909	125,161	-	5,729	138	4,592	-	6,107	-	107	-	307,743
Cash and cash equivalents - limited to use	-	-	682	-	-	-	-	-	-	-	-	-	682
Investments - limited to use	-	-	23,931	-	-	-	-	-	-	-	-	-	23,931
Investments - donor restricted	-	-	-	-	7,459	-	-	-	-	-	-	-	7,459
Unconditional promises to give, net, less current portion	-	-	-	-	872	-	-	-	-	-	-	-	872
Investment in affiliates	335,989	2	-	-	-	1,850	-	-	-	-	8,886	(335,989)	10,738
Goodwill	-	383	4,706	-	-	-	-	-	-	-	-	-	5,089
Trust receivable	-	22,987	-	-	-	-	-	-	-	-	-	-	22,987
Other assets	-	7,487	257	-	-	-	-	-	-	-	-	-	7,744
Due from affiliates	-	-	127,293	-	70	5,942	-	12	-	-	16,290	(149,607)	-
Property, plant, and equipment, net	-	55,740	187,543	82	-	-	1,833	-	-	-	-	-	245,198
Total assets	**$ 335,989**	**$ 252,508**	**$ 469,573**	**$ 82**	**$ 14,130**	**$ 7,930**	**$ 6,425**	**$ 12**	**$ 6,107**	**$ -**	**$ 25,283**	**$ (485,596)**	**$ 632,443**
LIABILITIES AND NET ASSETS													
Current liabilities													
Trade accounts payable	$ -	$ 19,177	$ 10,609	$ -	$ -	$ -	$ 647	$ -	$ 27	$ -	$ -	$ -	$ 30,460
Accrued expenses	-	6,827	10,351	-	28	54	1,476	112	-	-	568	-	19,416
Medicare advances	-	-	8,741	-	-	-	206	-	-	-	-	-	8,947
Deferred Revenue	-	363	35,790	-	-	-	-	-	625				36,778
Amounts due to contractual third-party payors	-	-	4,581	-	-	-	-	-	-	-	-	-	4,581
Paycheck Protection Program Loan	-	-	-	-	-	-	715	-	-	-	-	-	715
Current portion of self-insurance reserves	-	6,078	-	-	-	-	-	-	2,351	-	-	-	8,429
Current portion of long-term debt	-	1,252	10,261	-	-	-	-	-	-	-	-	-	11,513
Total current liabilities	**-**	**33,697**	**80,333**	**-**	**28**	**54**	**3,044**	**112**	**3,003**	**-**	**568**	**-**	**120,839**
Medicare advances	-	-	33,984	-	-	-	346	-	-	-	-	-	34,330
Self-insurance reserves, less current portion	-	786	-	-	-	-	-	-	622	-	-	-	1,408
Long-term debt, less current portion													
Principal amount	-	23,295	144,836	-	-	-	-	-	-	-	-	-	168,131
Less: debt issuance costs	-	(124)	(2,849)	-	-	-	-	-	-	-	-	-	(2,973)
Due to affiliates	-	68,802	-	8,807	-	-	71,689	-	-	309	-	(149,607)	-
Other long-term liabilities	-	4,648	-	-	-	-	-	-	-	-	-	-	4,648
Total liabilities	**-**	**131,104**	**256,304**	**8,807**	**28**	**54**	**75,079**	**112**	**3,625**	**309**	**568**	**(149,607)**	**326,383**
Net assets													
Without donor restrictions	325,605	121,404	213,269	(8,725)	3,718	7,876	(68,654)	(100)	2,482	(309)	24,715	(325,605)	295,676
With donor restrictions	10,384	-	-	-	10,384	-	-	-	-	-	-	(10,384)	10,384
Total net assets	335,989	121,404	213,269	(8,725)	14,102	7,876	(68,654)	(100)	2,482	(309)	24,715	(335,989)	306,060
Total liabilities and net assets	**$ 335,989**	**$ 252,508**	**$ 469,573**	**$ 82**	**$ 14,130**	**$ 7,930**	**$ 6,425**	**$ 12**	**$ 6,107**	**$ -**	**$ 25,283**	**$ (485,596)**	**$ 632,443**

See Independent Auditor’s Report on Supplementary Information.

GENERAL HEALTH SYSTEM
Consolidating Balance Sheet
September 30, 2019
(In Thousands)

	General Health System Parent Company	General Health System Corporate Services	Baton Rouge General Medical Center	Medical Diagnostic Services, Inc.	General Health System Foundation	Verity Healthnet Accounts Management Services, Inc.	Baton Rouge General Physicians, Inc.	Gulf South Health Plans, Inc.	RRS Insurance	Office Park 73	Behavioral Health, Inc., & Other Entities	Eliminations	General Health System Consolidated
ASSETS													
Current assets													
Cash and cash equivalents	$ -	$ 3,787	$ 10,293	$ -	$ 72	$ -	$ 653	$ -	$ 4,676	$ -	$ -	$ -	$ 19,481
Patient accounts receivable, net	-	-	31,658	-	-	-	1,753	-	-	-	-	-	33,411
Current portion of unconditional promises to give, net	-	-	-	-	2,947	-	-	-	-	-	-	-	2,947
Inventories	-	-	8,859	-	-	-	319	-	-	-	-	-	9,178
Prepaid expenses and other assets	-	5,393	3,757	-	34	-	1,371	-	386	-	282	-	11,223
Short-term investments	-	81,887	58,366	-	2,990	-	-	-	-	-	-	-	143,243
Total current assets	**-**	**91,067**	**112,933**	**-**	**6,043**	**-**	**4,096**	**-**	**5,062**	**-**	**282**	**-**	**219,483**
Cash and cash equivalents - limited to use	-	-	682	-	-	-	-	-	-	-	-	-	682
Investments - limited to use	-	-	25,301	-	-	-	-	-	-	-	-	-	25,301
Investments - donor restricted	-	-	-	-	4,632	-	-	-	-	-	-	-	4,632
Unconditional promises to give, net, less current portion	-	-	-	-	1,323	-	-	-	-	-	-	-	1,323
Investment in affiliates	275,968	-	-	-	-	(18)	-	-	-	-	8,935	(275,968)	8,917
Goodwill	-	383	4,706	-	-	-	-	-	-	-	-	-	5,089
Trust receivable	-	20,133	-	-	-	-	-	-	-	-	-	-	20,133
Other assets	-	5,970	-	-	-	-	-	-	-	-	-	-	5,970
Due from affiliates	-	3,734	46,424	-	-	7,526	-	12	-	-	13,536	(71,232)	-
Property, plant, and equipment, net	-	57,316	156,666	82	-	-	1,451	-	-	-	-	-	215,515
Total assets	**$ 275,968**	**$ 178,603**	**$ 346,712**	**$ 82**	**$ 11,998**	**$ 7,508**	**$ 5,547**	**$ 12**	**$ 5,062**	**$ -**	**$ 22,753**	**$ (347,200)**	**$ 507,045**
LIABILITIES AND NET ASSETS													
Current liabilities													
Trade accounts payable	$ -	$ 16,119	$ 6,605	$ -	$ 1	$ -	$ 1,075	$ -	$ 39	$ -	$ -	$ -	$ 23,839
Accrued expenses	-	8,838	7,166	-	20	195	858	112	-	-	472	-	17,661
Deferred revenue	-	527	-	-	2	-	-	-	460	-	-	-	989
Amounts due to contractual third-party payors	-	-	4,671	-	-	-	-	-	-	-	-	-	4,671
Current portion of self-insurance reserves	-	6,604	-	-	-	-	-	-	2,637	-	-	-	9,241
Current portion of long-term debt	-	2,114	9,138	-	-	-	-	-	-	-	-	-	11,252
Total current liabilities	**-**	**34,202**	**27,580**	**-**	**23**	**195**	**1,933**	**112**	**3,136**	**-**	**472**	**-**	**67,653**
Self-insurance reserves, less current portion	-	1,988	-	-	-	-	-	-	264	-	-	-	2,252
Long-term debt, less current portion													
Principal amount	-	24,813	139,581	-	-	-	-	-	-	-	-	-	164,394
Less: debt issuance costs	-	(130)	(3,092)	-	-	-	-	-	-	-	-	-	(3,222)
Due to affiliates	-	-	-	8,807	-	-	62,116	-	-	309	-	(71,232)	-
Total liabilities	**-**	**60,873**	**164,069**	**8,807**	**23**	**195**	**64,049**	**112**	**3,400**	**309**	**472**	**(71,232)**	**231,077**
Net assets													
Without donor restrictions	267,397	117,730	182,643	(8,725)	3,404	7,313	(58,502)	(100)	1,662	(309)	22,281	(267,397)	267,397
With donor restrictions	8,571	-	-	-	8,571	-	-	-	-	-	-	(8,571)	8,571
Total net assets	275,968	117,730	182,643	(8,725)	11,975	7,313	(58,502)	(100)	1,662	(309)	22,281	(275,968)	275,968
Total liabilities and net assets	**$ 275,968**	**$ 178,603**	**$ 346,712**	**$ 82**	**$ 11,998**	**$ 7,508**	**$ 5,547**	**$ 12**	**$ 5,062**	**$ -**	**$ 22,753**	**$ (347,200)**	**$ 507,045**

See Independent Auditor's Report on Supplementary Information.

GENERAL HEALTH SYSTEM
Consolidating Statement of Operations
September 30, 2020
(In Thousands)

	General Health System Parent Company	General Health System Corporate Services	Baton Rouge General Medical Center	Medical Diagnostic Services, Inc.	General Health System Foundation	Verity Healthnet Accounts Management Services, Inc.	Baton Rouge General Physicians, Inc.	RRS Insurance	Office Park 73	Behavioral Health, Inc., & Other Entities	Eliminations	General Health System Consolidated
Revenues, gains, and other support without donor restrictions												
Net patient service revenue	$ -	$ -	$ 414,465	$ -	$ -	$ -	$ 20,301	$ -	$ -	$ -	$ -	$ 434,766
Provision for bad debts	-	-	(14,785)	-	-	-	(1,093)	-	-	-	-	(15,878)
Net patient service revenue after provision for bad debts	-	-	399,680	-	-	-	19,208	-	-	-	-	418,888
Other revenue	-	97,053	33,486	49	952	744	8,037	1,085	-	10,474	(104,516)	47,364
Transfers to net assets with donor restrictions	-	-	-	-	(240)	-	-	-	-	-	-	(240)
Net assets released from donor restrictions	-	47	18,265	-	306	-	801	-	-	-	-	19,419
Total revenues	**-**	**97,100**	**451,431**	**49**	**1,018**	**744**	**28,046**	**1,085**	**-**	**10,474**	**(104,516)**	**485,431**
Expenses												
Salaries, wages, and benefits	-	15,220	158,962	-	628	-	28,458	-	-	10,369	-	213,637
Supplies and other expenses	-	71,506	253,203	49	1,213	73	9,462	320	-	68	(104,516)	231,378
Depreciation	-	3,013	12,853	-	-	-	278	-	-	-	-	16,144
Interest expense	-	891	5,149	-	20	-	-	-	-	-	-	6,060
Total expenses	**-**	**90,630**	**430,167**	**49**	**1,861**	**73**	**38,198**	**320**	**-**	**10,437**	**(104,516)**	**467,219**
Operating income (loss)	-	6,470	21,264	-	(843)	671	(10,152)	765	-	37	-	18,212
Earnings of subsidiaries	45,336	(58)	-	-	-	(133)	-	-	-	2,397	(45,336)	2,206
Investment return, net	-	(2,738)	(2,747)	-	394	-	-	55	-	-	-	(5,036)
Nonoperating gain	-	-	-	-	-	25	-	-	-	-	-	25
Excess (deficit) of revenues over expenses	**$ 45,336**	**$ 3,674**	**$ 18,517**	**$ -**	**$ (449)**	**$ 563**	**$ (10,152)**	**$ 820**	**$ -**	**$ 2,434**	**$ (45,336)**	**$ 15,407**

See Independent Auditor's Report on Supplementary Information.

GENERAL HEALTH SYSTEM
Consolidating Statement of Operations
September 30, 2019
(In Thousands)

	General Health System Parent Company	General Health System Corporate Services	Baton Rouge General Medical Center	Medical Diagnostic Services, Inc.	General Health System Foundation	Verity Healthnet Accounts Management Services, Inc.	Baton Rouge General Physicians, Inc.	RRS Insurance	Office Park 73	Behavioral Health, Inc., & Other Entities	Eliminations	General Health System Consolidated
Revenues, gains, and other support without donor restrictions												
Net patient service revenue	$ -	$ -	$ 381,509	$ -	$ -	$ -	$ 20,412	$ -	$ -	$ -	$ -	$ 401,921
Provision for bad debts	-	-	(12,532)	-	-	-	(1,160)	-	-	-	-	(13,692)
Net patient service revenue after provision for bad debts	-	-	368,977	-	-	-	19,252	-	-	-	-	388,229
Other revenue	-	77,241	27,722	46	1,277	422	6,869	910	-	9,745	(83,887)	40,345
Transfers to net assets with donor restrictions	-	-			(549)							(549)
Net assets released from donor restrictions	-	-	-	-	3,620	-	-	-	-	-	-	3,620
Total revenues	**-**	**77,241**	**396,699**	**46**	**4,348**	**422**	**26,121**	**910**	**-**	**9,745**	**(83,887)**	**431,645**
Expenses												
Salaries, wages, and benefits	-	13,124	146,580	-	516	-	24,140	-	-	9,651	-	194,011
Supplies and other expenses	-	51,727	224,145	46	5,150	44	10,336	1,188	16	61	(83,887)	208,826
Depreciation	-	4,042	12,714	-	-	-	168	-	-	-	-	16,924
Interest expense	-	1,119	5,394	-	27	-	-	-	23	-	-	6,563
Total expenses	**-**	**70,012**	**388,833**	**46**	**5,693**	**44**	**34,644**	**1,188**	**39**	**9,712**	**(83,887)**	**426,324**
Operating income (loss)	-	7,229	7,866	-	(1,345)	378	(8,523)	(278)	(39)	33	-	5,321
Earnings of subsidiaries	12,754	-	-	-	-	1	-	-	-	1,422	(12,754)	1,423
Investment return, net	-	628	3,295	-	82	-	-	205	-	-	-	4,210
Nonoperating gain	-	-	-	-	-	1,800	-	-	-	-	-	1,800
Excess (deficit) of revenues over expenses	**$ 12,754**	**$ 7,857**	**$ 11,161**	**$ -**	**$ (1,263)**	**$ 2,179**	**$ (8,523)**	**$ (73)**	**$ (39)**	**$ 1,455**	**$ (12,754)**	**$ 12,754**

See Independent Auditor’s Report on Supplementary Information.

GENERAL HEALTH SYSTEM

Schedule of Compensation, Benefits and Other Payments to Agency Head
For the Year Ended September 30, 2020

Agency Head
Edgardo Tenreiro
Chief Executive Officer

Purpose	Amount
Salary	$0
Benefits - Insurance	$0
Benefits - Retirement	$0
Benefits - Other	$0
Car Allowance	$0
Vehicle Provided by Organization	$0
Per Diem	$0
Reimbursements	$0
Travel	$0
Registration Fees	$0
Conference Travel	$0
Continuing Professional Education Fees	$0
Miscellaneous Expenses	$0

See Independent Auditor's Report on Supplementary Information.

GENERAL HEALTH SYSTEM

Financial Responsibility Supplemental Schedule
For the Year Ended September 30, 2020

Lines	Primary Reserve Ratio (in thousands):			
		Expendable Net Assets		
32	Balance Sheet - Net assets without donor restrictions	Net assets without donor restrictions		295,676
33	Balance Sheet - Net assets with donor restrictions	Net assets with donor restrictions		10,384
FS Note 6 - Transactions with Affiliates	Notes to the Financial Statements - Affiliates note disclosure	Secured and Unsecured related party receivable	1,682	
FS Note 6 - Transactions with Affiliates	Notes to the Financial Statements - Affiliates note disclosure	Unsecured related party receivable		1,682
16	Balance Sheet - Property, plant, and equipment, net	Property, plant and equipment, net (includes Contstruction in progess)	245,198	
FS Note 7	Notes to the Financial Statements - Property, plant, and equipment - pre-implementation	Property, plant and equipment - pre-implementation		192,070
FS Note 7	Note of the Financial Statements - Statement of Financial Position - Property, Plant, and Equipment - post-implementation with outstanding debt for original purchase	Property, plant and equipment - post-implementation with outstanding debt for original purchase		1,801
FS Note 7	Note of the Financial Statements - Statement of Financial Position - Property, Plant, and Equipment - post-implementation without outstanding debt for original purchase	Property, plant and equipment - post-implementation without outstanding debt for original purchase		16,802
FS Note 7 - Line 4	Notes to the Financial Statements - Property, plant, and equipment note disclosure - Construction in progress	Construction in progress		34,525
13	Balance Sheet - Goodwill	Intangible Assets		5,089
24, 28	Balance Sheet - Long-term debt (both current and long-term)	Long term debt - for long term purposes	179,644	
FS Note 8	Balance Sheet - Long-term debt (both current and long-term)	Long term debt - for long term purposes - pre-implementation		165,168
FS Note 8	Balance Sheet - Long term debt (both current and long term)	Long-term debt - for long term purposes - post-implementation		1,801
FS Note 8	Balance Sheet - Long term debt (both current and long term)	Long-term debt - for long term purposes - for Construction in process		12,675
FS Note 17 - Line 6	Notes to Financial Statements - Net assets with donor restrictions disclosure	Net assets with donor restrictions: restricted in perpetuity		310
		Total Expenses and Losses		
47	Statement of Operations - Total Operating Expenses (Total from Statement of Operations prior to adjustments)	Total expenses without donor restrictions - taken directly from Statement of Operations		467,219
50	Statement of Activites - Investment return, net	Investment return, net		5,036

See Independent Auditor’s Report on Supplementary Information.

Financial Responsibility Supplemental Schedule (Continued)
For the Year Ended September 30, 2020

Lines	Equity Ratio (in thousands):			
		Modified Net Assets		
32	Balance Sheet - Net assets without donor restrictions	Net assets without donor restrictions		295,676
33	Balance Sheet - Net assets with donor restrictions	Net assets with donor restrictions		10,384
13	Balance Sheet - Goodwill	Intangible Assets		5,089
FS Note 6 - Transactions with Affiliates	Notes to the Financial Statements - Affiliates note disclosure	Secured and Unsecured related party receivable	1,682	
FS Note 6 - Transactions with Affiliates	Notes to the Financial Statements - Affiliates note disclosure	Unsecured related party receivable		1,682
		Modified Assets		
17	Balance Sheet - Total assets	Total assets		632,443
13	Balance Sheet - Goodwill	Intangible assets		5,089
FS Note 6 - Transactions with Affiliates	Notes to the Financial Statements - Affiliates note disclosure	Secured and Unsecured related party receivable	1,682	
FS Note 6 - Transactions with Affiliates	Notes to the Financial Statements - Affiliates note disclosure	Unsecured related party receivable		1,682

Lines	Net Income Ratio (in thousands):			
		Modified Net Assets		
55	Statement of Changes in Net Assets - Change in Net Assets Without Donor Restrictions	Change in net assets without donor restrictions		28,279
42, 49, 51, 54	Statement of Operations and Statement of Changes in Net Assets - Total Revenues, gains, and other support, Earnings of subsidiaries, Nonoperating gain, and Net assets released from restriction - capital	Total revenues and gains		500,534

See Independent Auditor’s Report on Supplementary Information.

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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 Board of Trustees
General Health System

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 General Health System (a nonprofit organization) (the System) which comprise the consolidated balance sheet as of September 30, 2020, and the related consolidated statements of operations, changes in net assets, and cash flows for the year ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 28, 2021.

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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether General Health 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, non-compliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

LaPorte

A Professional Accounting Corporation

Metairie, LA
June 28, 2021

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND THE CONSOLIDATED AUDIT GUIDE FOR AUDITS OF HUD PROGRAMS

Independent Auditor's Report

To the Board of Trustees
General Health System

Report on Compliance for Each Major Federal Program

We have audited General Health System's (the System) compliance with the types of compliance requirements described in OMB *Compliance Supplement and the Consolidated Audit Guide for Audits of HUD Programs* that could have a direct and material effect on each of the System's major federal programs for the year ended September 30, 2020. 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.

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our unmodified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of the System's compliance.

Opinion on Each Major Federal Programs

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 September 30, 2020.

Report on Internal Control Over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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 preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

LaPorte

A Professional Accounting Corporation

Metairie, LA
June 28, 2021

GENERAL HEALTH SYSTEM
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2020

Grantor/Program Title/ Pass-Through Grantor's Number	Federal CFDA Number	Contract Period	Federal Expenditures
U.S. Department of Housing and Urban Development:			
Mortgage Insurance-Hospitals	14.128	10/01/19-09/30/20	$ 155,097,264
U.S. Department of Education *(Note 2)*:			
Student Financial Aid Cluster			
Federal Pell Grant Program	84.063	07/01/19-06/30/20	48,985
		07/01/20-06/30/21	22,650
Federal Direct Student Loans	84.268	07/01/19-06/30/20	156,359
		07/01/20-06/30/21	69,288
			297,282
U.S. Department of Education:			
Education Stabilization Fund	84.425	10/01/19-09/30/20	34,656
U.S. Department of Health and Human Services:			
Louisiana Hospital Association			
National Bioterrorism Hospital Preparedness Program	93.889	10/01/19-09/30/20	108,804
Total Expenditures of Federal Awards			$ 155,538,006

Note 1. Basis of Accounting

The Schedule of Expenditures of Federal Awards is prepared using the accrual basis of accounting.

Complete Catalog of Federal Domestic Assistance (CFDA) numbers are presented for those programs for which such numbers were available. CFDA prefixes and other identifying numbers are presented for programs for which a complete CFDA number is not available.

Note 2. Indirect Cost Rate

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

Note 3. Mortgage Insurance

The System participates in the Section 242 Program which is a loan guarantee by the Department of Housing and Urban Development (HUD). The objective of the program is to facilitate affordable financing of hospitals for the care and treatment of persons who are acutely ill or who otherwise require medical care and related services of the kind customarily furnished by hospitals. HUD insures lenders against a loss on mortgages. The loans may be used to finance construction, modernization, equipment, or refinancing of acute care hospitals. (See Note 4 for the use of bond proceeds).

Note 4. Insured Mortgage

On December 8, 2004, the Louisiana Public Facilities Authority (the Authority) issued the Series 2004 Bonds, for which Baton Rouge General Medical Center (the Hospital), the mortgaged entity, is obligated. The mortgaged entity's financial statements have been presented in the Consolidating Balance Sheets and Statements of Operations as Baton Rouge General Medical Center.

Concurrently with the issuance of the bonds, the Authority entered into a loan agreement related to the bonds dated as of November 1, 2004, with Baton Rouge General Medical Center. Pursuant to this loan agreement, the Authority lent the proceeds of the Bonds to the mortgaged entity for the purpose of providing funds, together with other available funds for (a) refunding a $98.1 million capital expansion of the Bluebonnet Campus including capitalized interest during the construction period, (b) funding a debt service reserve fund, (c) retiring previously issued bonds, and (d) pay certain costs incurred in connection with the issuance of the bonds. To provide a source of repayment of such loan, the mortgage entity executed a mortgage note and mortgage. Payments on the mortgage note and the mortgage, together with other available funds, will be required to be sufficient to pay the principal of, premium, if any, and interest on the Bonds as they become due. HUD, acting by and through FHA, ensures the advances of funds secured by the mortgage pursuant to Section 242 of Title II of the National Housing Act.

Note 4. Insured Mortgage (Continued)

Proceeds from the Series 2004 Bonds were used to refund previous bond issuances that were obligations of the Hospital. Approximately, $96,894,000 of the proceeds of the bonds, together with other monies of the Hospital, was used to refund the Series 1989A Bonds, Series 1989B Bonds, Series 1992 Bonds and Series 1994 Bond, which were redeemed within ninety (90) days after the delivery of the bonds.

On December 4, 2012, the Louisiana Public Facilities Authority Series 2004 Bonds were defeased and a new mortgage payable was issued. The proceeds of the mortgage payable were used for the purpose of advance refunding and defeasance of the nontaxable Series 2004 Bonds. The mortgage was attached to the 2012 mortgage payable at the defeasance of the 2004 Bonds.

This mortgage payable was refinanced on September 1, 2019.

On December 31, 2018, Wells Fargo Bank issued debt for which BRGMC is obligated. The proceeds of the Series 2018 Bonds were used in refunding previously issued bond series, together with providing funds for the construction of a neighborhood hospital in Ascension parish. As of September 30, 2020, BRGMC had drawn $35,578,000.

A mortgage reserve fund was established as a trust fund with a trustee. As of September 30, 2020 the fund had a balance of $23,800,000, which is presented as a component of assets whose use is limited on the consolidated balance sheet.

The related mortgage payables as of September 30th, are summarized as follows (in thousands):

	2020	2019
Mortgage payable to Bank, original principal of $45,474,000 with interest rate of 4.74% per annum. As of September 30, 2020, BRGMC had drawn $35,577,860. Interest computed and payable monthly through April 2020. Beginning in May 2020, principal and interest payable monthly in the amount of $353,477, maturing May 1, 2035. Secured by building. Insured by HUD.	**$ 34,702**	$ 20,226
Mortgage payable to Bank, original principal of $175,983,168, interest rate of 2.98% per annum, principal and interest payable monthly in the amount of $974,237, maturing on January 1, 2033. Loan was issued to refinance 2012 series bonds. This loan, with a principal balance of $129,158,260 was modified on September 1, 2019. Interest was reduced to 2.85%, principal and interest payable monthly in the amount $966,292, maturing on January 1, 2033. Secured by building. Insured by HUD.	**120,395**	128,493
	$ 155,097	$ 148,719

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?	None Reported
Significant deficiency(ies) identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards Section

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	No
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	No
Identification of Major Programs:	
14.128 Mortgage Insurance - Hospitals	
Dollar threshold used to determine Type A programs:	$750,000
Auditee qualified as low-risk auditee?	No

Part II - Financial Statement Findings Section

None.

Part III - Federal Award Findings and Questioned Costs Section

None.

None.