GENERAL HEALTH SYSTEM

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

Years Ended September 30, 2022 and 2021

LAPORTE
CPAs & BUSINESS ADVISORS

Contents

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion
We have audited the accompanying consolidated financial statements of General Health System (the System), which comprise the consolidated balance sheets as of September 30, 2022 and 2021, the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of General Health System as of September 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for twelve months beyond the financial statements date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Report on Supplementary Information
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying consolidating balance sheets; consolidating statements of operations; schedule of compensation, benefits, and other payments to agency head, as required by Louisiana Revised Statute (R.S.) 24:513 A(3); the 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*; and financial responsibility supplemental schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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 February 14, 2023, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

LaPorte

A Professional Accounting Corporation

Metairie, LA
February 14, 2023

GENERAL HEALTH SYSTEM
Consolidated Balance Sheets
September 30, 2022 and 2021

		2022		2021
		(In Thousands)		
Assets				
Current assets				
Cash and cash equivalents	**$**	**12,330**	$	30,946
Patient accounts receivable		**63,239**		51,946
Current portion of unconditional promises to give, net		**1,575**		1,615
Inventories		**15,880**		12,521
Prepaid expenses and other assets		**30,586**		25,767
Trust receivable		**4,466**		1,113
Amounts due from contractual third-party payors		**-**		1,837
Short-term investments		**199,746**		222,553
Total current assets		**327,822**		348,298
Cash and cash equivalents - limited to use		**-**		682
Investments - limited to use		**25,402**		24,671
Investments - donor restricted		**6,592**		8,071
Unconditional promises to give, net, less current portion		**774**		853
Investments in affiliates		**7,865**		11,675
Goodwill		**5,399**		5,089
Trust receivable		**22,660**		19,878
Other assets		**8,832**		10,376
Property, plant, and equipment, net		**262,637**		252,410
Total assets	**$**	**667,983**	$	682,003
Liabilities and net assets				
Current liabilities				
Trade accounts payable	**$**	**42,913**	$	29,111
Accrued expenses		**25,872**		31,334
Medicare advances		**4,021**		26,500
Deferred revenue		**10,376**		4,655
Amounts due to contractual third-party payors		**636**		-
Current portion of self-insurance reserves		**10,010**		10,401
Current portion of long-term debt		**12,526**		12,249
Total current liabilities		**106,354**		114,250
Medicare advances		**-**		7,840
Self-insurance reserves, less current portion		**1,180**		1,091
Long-term debt, less current portion, net of debt issuance costs		**156,599**		158,838
Other long-term liabilities		**-**		3,718
Total liabilities		**264,133**		285,737
Net assets				
Without donor restrictions		**395,521**		386,242
With donor restrictions		**8,329**		10,024
Total net assets		**403,850**		396,266
Total liabilities and net assets	**$**	**667,983**	$	682,003

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, 2022 and 2021

	2022	2021
	(In Thousands)	
Revenues, gains, and other support without donor restrictions		
Net patient service revenue	**$ 496,568**	$ 480,823
Other revenue	**58,053**	60,378
Transfers to net assets with donor restrictions	**(22)**	(387)
Net assets released from donor restrictions	**16,959**	36,067
Total revenues, gains, and other support without donor restrictions	**571,558**	576,881
Expenses		
Salaries, wages, and benefits	**253,811**	250,735
Supplies and other expenses	**267,931**	237,324
Depreciation	**19,943**	18,408
Interest expense	**6,941**	6,427
Total expenses	**548,626**	512,894
Operating income	**22,932**	63,987
Earnings of subsidiaries	**3,322**	3,343
Investment return, net	**(21,807)**	21,450
Excess of revenues over expenses	**$ 4,447**	$ 88,780

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, 2022 and 2021

	2022	2021
	(In Thousands)	
Net assets without donor restrictions		
Excess of revenues over expenses	**$ 4,447**	$ 88,780
Net assets released from donor restrictions - capital	**4,832**	1,786
Increase in net assets without donor restrictions	**9,279**	90,566
Net assets with donor restrictions		
Contributions	**20,074**	37,106
Transfers from net assets without donor restrictions	**22**	387
Net assets released from donor restrictions	**(21,791)**	(37,853)
Decrease in net assets with donor restrictions	**(1,695)**	(360)
Changes in net assets	**7,584**	90,206
Net assets, beginning of year	**396,266**	306,060
Net assets, end of year	**$ 403,850**	$ 396,266

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

GENERAL HEALTH SYSTEM
Consolidated Statements of Cash Flows
For the Years Ended September 30, 2022 and 2021

	2022	2021
	(In Thousands)	
Cash flows from operating activities		
Changes in net assets	**$ 7,584**	$ 90,206
Adjustments to reconcile changes in net assets		
to net cash provided by operating activities		
Depreciation	**19,943**	18,408
Amortization included in interest	**426**	269
Gain from disposal of assets	**11**	(5)
Unrealized loss (gain) on investments and other assets	**22,214**	(18,165)
Realized gain on investments and other assets	**(546)**	(235)
Forgiveness of Paycheck Protection Program Loan	**-**	(715)
(Increase) decrease in operating assets		
Patient accounts receivable	**(11,188)**	(12,003)
Inventories, prepaid expenses, and other current assets	**(8,130)**	(14,105)
Other assets	**1,117**	(3,137)
Increase (decrease) in operating liabilities		
Trade accounts payable	**13,801**	(1,349)
Accrued expenses	**(5,545)**	11,918
Medicare advances	**(30,319)**	(8,937)
Deferred revenue	**5,721**	(32,123)
Accrued self-insurance reserves	**(302)**	1,655
Amounts due to contractual third-party payors	**2,473**	(6,418)
Other long-term liabilities	**(3,718)**	(930)
Net cash provided by operating activities	**13,542**	24,334
Cash flows from investing activities		
Purchases of property, plant, and equipment	**(30,111)**	(25,620)
Proceeds from disposal of property, plant, and equipment	**36**	5
Proceeds from trust	**79**	7,338
Payments to trust	**(6,214)**	(5,342)
Cash paid to acquire Dutchtown Urgent Care, LLC, net of cash received	**(58)**	-
Sales of investments	**60,207**	13,810
Purchases of investments	**(54,391)**	(6,314)
Net cash used in investing activities	**(30,452)**	(16,123)
Cash flows from financing activities		
Proceeds from note payable	**8,900**	6,367
Cost of debt issuance	**(682)**	-
Principal payments on outstanding debt	**(10,606)**	(12,220)
Net cash used in financing activities	**(2,388)**	(5,853)
Net (decrease) increase in cash and cash equivalents	**(19,298)**	2,358
Cash, cash equivalents, and restricted cash at beginning of year	**31,628**	29,270
Cash, cash equivalents, and restricted cash at end of year	**$ 12,330**	$ 31,628
Supplemental disclosures of cash flow information		
Cash paid during the year for interest	**$ 6,515**	$ 5,690
Acquisition of Dutchtown Urgent Care, LLC		
Patient accounts receivable	**$ 105**	$ -
Inventories, prepaid expenses, and other current assets	**8**	-
Goodwill	**310**	-
Investments in affiliates	**(387)**	-
Property, plant, and equipment	**106**	-
Trade accounts payable	**(1)**	-
Accrued expenses	**(83)**	-
Cash paid to acquire Dutchtown Urgent Care, LLC, net of cash received	**$ 58**	$ -
Reconciliation of cash, cash equivalents, and restricted cash		
Cash and cash equivalents	**$ 12,330**	$ 30,946
Cash and cash equivalents - limited to use	**-**	682
	$ 12,330	$ 31,628

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 System considers critical accounting policies to be those that require more significant judgments and estimates in the preparation of its consolidated financial statements, including the following: recognition of net patient revenue, which includes explicit and implicit pricing concessions, such as contractual allowances discounts, collectability assessment of outstanding accounts receivables, and self-insurance reserves. Management bases its estimates on historical experience and various other assumptions that it believes are reasonable under the particular facts and circumstances. Actual results could differ from those estimates.

Cash 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 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:

		2022		2021
		(In Thousands)		
Debt retirement funds	**$**	**25,271**	$	24,540
Other restricted assets		**131**		813
	$	**25,402**	$	25,353

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, as discussed in Note 8. 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.

Investments in Affiliates

The System uses the equity method of accounting for its affiliates for which it does not hold a controlling interest but does demonstrate significant influence. Under the equity method, investments are carried at cost and increased or decreased by the System's pro-rata share of earnings or losses. The carrying cost of this investment is also increased or decreased to reflect additional contributions or distributions of capital. Any difference in the book equity and the System's pro-rata share of the net assets of the investment will be reported as gain or loss at the time of the liquidation of the investment. It is the System's policy to record losses in excess of the investment if the System is committed to provide financial support to the investee.

Note 1. Significant Accounting Policies (Continued)

Trust Receivable

The System entered into irrevocable trust agreements beginning in 2012. The purpose of the trusts is 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 has included $4,466,000 of net paydown of the receivables in current assets and $22,660,000 as noncurrent assets at September 30, 2022. Management included $1,113,000 of net paydown of the receivables in current assets and $19,878,000 as noncurrent assets at September 30, 2021.

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, 2022 and 2021.

Changes in the carrying value of goodwill for the year ended September 30, 2022 are as follows:

	Gross	Accumulated Impairment Loss	Net
		(In Thousands)	
Balance, September 30, 2021	$ 5,089	$ -	$ 5,089
Additional goodwill recognized	310	-	310
Balance, September 30, 2022	$ 5,399	$ -	$ 5,399

There were no changes in the carrying value of goodwill for the year ended September 30, 2021.

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. The System is self-insured for the first $1,000,000 of each occurrence. 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 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 System 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; an unconditional promises to give; or notifications of a beneficial interest are 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. 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

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

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

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

Note 1. Significant Accounting Policies (Continued)

Net Patient Service Revenue and Related Receivables (Continued)

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

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

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

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

The opening balance of patient accounts receivable at October 1, 2020 was approximately $39,943,000. Amounts received related to health care services that have not yet been provided to patients are contract liabilities. Contract liabilities consist of Medicare advanced payments. See Note 10. The opening balance of Medicare advanced payments at October 1, 2020 was approximately $43,277,000.

Note 1. Significant Accounting Policies (Continued)

Net Patient Service Revenue and Related Receivables (Continued)

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

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

Settlements with third-party payors for retroactive adjustments due to review and audits are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care in the period the related services are provided using the most likely outcome method. The System records retroactive Medicare and Medicaid settlements based upon estimates of amounts that are ultimately determined through annual cost reports filed with and audited by the fiscal intermediary, correspondence from the payor and the System’s historical settlement activity, including an assessment to ensure that it is probable that a significant revenue reversal in the amount of the cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known or as years are settled or are no longer subject to such reviews and audits. Adjustments arising from a change in estimated settlements decreased and increased net patient service revenue by approximately $694,000 and $3,943,000 in 2022 and 2021, respectively.

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.

Note 1. Significant Accounting Policies (Continued)

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, 2022 and 2021 were approximately $2,751,000 and $2,401,000, respectively.

Significant New Accounting Pronouncements Adopted

Effective October 1, 2021, the System adopted ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. The adoption of ASU 2020-07 did not have a significant impact on the System's financial statements.

Significant New Accounting Pronouncements Not Yet Adopted

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.

Note 1. Significant Accounting Policies (Continued)

Significant New Accounting Pronouncements Not Yet Adopted (Continued)
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.

In 2021, the FASB issued ASU 2021-10, *Government Assistance (Topic 842): Disclosure by Business Entities about Government Assistance*, which is intended to increase transparency in financial reporting by requiring business entities to disclose information about certain types of government assistance. ASU 2021-10 is effective for financial statements issued for annual periods beginning after December 15, 2021. The adoption of ASU 2021-10 is not expected to have an impact on the System's 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.

As a long-standing member of the Baton Rouge community, BRGMC recognizes the positive impact of working together with other organizations within our community. BRGMC supported more than 25 community organizations with financial, volunteer, and in-kind contributions in FY2022. The focus is on initiatives that align with our mission to restore and maintain health, from the Mayor's Healthy City Initiative and Cancer Association of Louisiana to the Elvin Howard Sr. Pancreatic Cancer Foundation and the Arts Council of Greater Baton Rouge.

Note 2. Community Benefits - Unaudited (Continued)

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.

BRGMC recognizes the critical role of education in cultivating future clinician leaders. For over 30 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, sports medicine fellowship, and serve as a participating site in surgery and emergency medicine residency programs.

In FY2022, 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 - 65 women were screened.
    - Every October, BRGMC launches its annual Protect your Pumpkins campaign encouraging women 40 and older to schedule their mammogram. The campaign includes pop-up pink pumpkin patches on all three of the hospital's campuses to further engage the community in the breast cancer awareness message.
- BRGMC hosted a Healthy Men Screening series, with events at all three hospital locations, in November 2021 (47 screened), February 2022 (30 screened), and June 2022 (22 screened).

Note 2. Community Benefits - Unaudited (Continued)

- Well Beyond 50 screening event was held in July at Mid-City and included screenings like blood pressure, cholesterol and glucose, grip strength and balance assessments, hearing and vision screenings. 55 people attended.

- BRGMC hosted a Peripheral Artery Disease Screening series held in February and March - 24 people were screened.

- BRGMC hosted a women's event called Find the Right Fit where women could speak with representatives from different BRG women's services. 90 women attended.

- BRGMC hosts a Holiday Lights display each year starting in late November, open for the community to walk through every night through December 31.

- BRGMC offered drive-up flu shot events in the fall. Physician clinics teamed up with various YMCA locations to reach Baton Rouge and the surrounding community. More than 150 people received flu shots.

- BRGMC provides tours of its Birth Center, virtual 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.

- BRGMC offers small-group classes for both boys (Boys to Men) and girls (Girl Talk) to discuss puberty. In FY2022, there were 70 children in attendance.

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, 2022 and 2021 is as follows:

	2022		2021	
	Charges	**Estimated Costs In Excess of Payments**	Charges	Estimated Costs In Excess of Payments
		(In Thousands)		
Benefits for the indigent				
Financial assistance	**$ 5,303**	**$ 1,057**	$ 3,053	$ 630
Medicaid program services	**219,115**	**-**	199,017	-
	224,418	**1,057**	202,070	630
Other community benefits				
Medicare program services	**232,963**	**-**	242,351	-
Other community benefits	**-**	**234**	-	796
	232,963	**234**	242,351	796
Total quantifiable benefits	**$ 457,381**	**$ 1,291**	$ 444,421	$ 1,426

During the years ended September 30, 2022 and 2021, there were additional community benefit payments made by the Hospital totaling approximately $23,055,000 and $17,000,000, respectively, which are recorded in supplies and other expenses on the consolidated 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, 2014.

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, 2013.

During the years ended September 30, 2022 and 2021, approximately 35% and 36%, 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. The System also follows the new regulation under Section 501(r) as established by the Affordable Care Act, which requires policies for financial assistance, emergency medical care, and billing and collections.

Charges foregone (representing charges in excess of payments) and estimated costs in excess of payments related to financial assistance totaled approximately $5,303,000 and $1,057,000, respectively, during the year ended September 30, 2022. Charges foregone (representing charges in excess of payments) and estimated costs in excess of payments related to financial assistance totaled approximately $3,053,000 and $630,000, respectively, during the year ended September 30, 2021.

Note 4. Unconditional Promises to Give

Unconditional promises to give at September 30, 2022 and 2021 were as follows:

		2022		2021
		(In Thousands)		
Receivable in less than one year	**$**	**1,019**	$	2,121
Receivable in one to five years		**1,764**		937
Receivable in more than five years		**-**		7
Total unconditional promises to give		**2,783**		3,065
Less: discount to net present value (discount rate was 4.06% and 1.68% as of September 30, 2022 and 2021, respectively)		**(60)**		(52)
Less: allowance for unfulfilled pledges		**(374)**		(545)
Net unconditional promises to give	**$**	**2,349**	$	2,468

Note 5. Investments

The System's investments at September 30, 2022 and 2021 were as follows:

		2022		2021
		(In Thousands)		
Investments				
Cash and cash equivalents	**$**	**26,625**	$	1,741
Money market deposits		**3,752**		5,919
Certificates of deposit		**231**		231
Exchange traded funds (ETFs)		**84,645**		100,110
Bond funds		**35,343**		82,869
Mutual funds		**34**		45
Equities		**1**		-
Government securities		**22,517**		21,620
Alternative investments		**58,592**		42,760
Total investments	**$**	**231,740**	$	255,295

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, 2022 and 2021 are summarized below (in thousands), and are included on the consolidated balance sheets as assets whose use is limited and short-term investments:

	2022			
Assets	**Level 1**	**Level 2**	**Level 3**	**Net Balance**
		(In Thousands)		
Cash and cash equivalents	**$ 26,625**	**$ -**	**$ -**	**$ 26,625**
Money market deposits	**3,752**	**-**	**-**	**3,752**
Certificates of deposit	**231**	**-**	**-**	**231**
ETFs	**84,645**	**-**	**-**	**84,645**
Bond funds	**35,343**	**-**	**-**	**35,343**
Mutual funds	**34**	**-**	**-**	**34**
Equities	**1**	**-**	**-**	**1**
Government securities	**22,517**	**-**	**-**	**22,517**
Investments measured at NAV per share*	**-**	**-**	**-**	**58,592**
	$ 173,148	**$ -**	**$ -**	**$ 231,740**

	2021			
Assets	Level 1	Level 2	Level 3	Net Balance
		(In Thousands)		
Cash and cash equivalents	$ 1,741	$ -	$ -	$ 1,741
Money market deposits	5,919	-	-	5,919
Certificates of deposit	231	-	-	231
ETFs	100,110	-	-	100,110
Bond funds	82,869	-	-	82,869
Mutual funds	45	-	-	45
Government securities	21,286	334	-	21,620
Investments measured at NAV per share*	-	-	-	42,760
	$ 212,201	$ 334	$ -	$ 255,295

* 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, 2022 from those used in 2021.

- *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 investment 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, 2022 (in thousands):

2022		Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Hedge Funds:					
AQR Style Premia Fund L.P. (CL B)	(A)	$ 1,885	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 L Unrestricted)	(C)	3,611	None	Quarterly	65 Days
Lyxor-Balyasny Atlas Enhanced Fund LTD (CL L)	(C)	2,317	None	Quarterly	65 Days
Lyxor-Bridgewater Fund LTD (CL B)	(D)	4,019	None	Weekly	2 days
Lyxor-Sandler Plus Offshore Fund Limited (CL B)	(E)	2,908	None	Monthly	30 days
Millennium International LTD (CL EE)	(F)	3,901	None	Quarterly	90 Days
Millennium International LTD (CL GG)	(F)	3,967	None	Quarterly	90 Days
Palmetto Fund, LTD (Nephila) (CL D)	(G)	267	None	Quarterly	90 Days
PIMCO Loan Interests and Credit Offshore Fund LTD	(H)	-	None	Monthly	60 Days
Two Sigma Absolute Return Cayman Fund LTD (CL A1)	(I)	2,770	None	Monthly	30 Days
York Credit Opportunities Unit Trust (CL A)	(J)	229	None	Annually	60 Days
Oceanic Hedge Fund (CL B)	(K)	2,927	None	Monthly	90 Days
Luminus Energy Partners, LTD	(L)	571	None	Quarterly	90 Days
Seer Capital Partners Offshore Fund, LTD	(M)	2,588	None	Quarterly	90 Days
CFM-Discus Feeder Fund Limited (CL B)	(N)	4,238	None	Monthly	15 Days
Marshall Wace Tops Fund PLC	(O)	3,702	None	Monthly	30 Days
Kepos Alpha Fund Ltd (CL A)	(P)	2,163	None	Quarterly	65 Days
Radcliffe Inl Ultra Short Duration Fund, LTD	(Q)	2,688	None	Monthly	40 Days
Silver Point Capital Fund Ltd	(R)	4,692	None	Annually	90 Days
Twin Beech Capital Offshore Fund LP	(S)	2,398	None	Quarterly	60 Days
Verition Intl Multi-Strategy Fund Ltd (CL A)	(T)	3,331	None	Quarterly	45 Days
ZP Offshore Utility Fund Ltd (Class E)	(U)	1,382	None	Quarterly	45 Days
Paloma International, LTD	(V)	2,035	None	Quarterly	65 Days
		$ 58,592			

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, 2021 (in thousands):

2021		Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Hedge Funds:					
AQR Style Premia Fund L.P. (CL B)	(A)	$ 1,587	None	Semi-Monthly or Monthly	15 or 30 Days
Cumulus Energy Fund, LP (CL A)	(B)	2	None	Monthly	30 Days
Lyxor-Balyasny Atlas Enhanced Fund LTD (CL L Unrestricted)	(C)	1,852	None	Quarterly	65 Days
Lyxor-Balyasny Atlas Enhanced Fund LTD (CL L)	(C)	2,111	None	Quarterly	65 Days
Lyxor-Bridgewater Fund LTD (CL B)	(D)	2,508	None	Weekly	2 days
Lyxor-Sandler Plus Offshore Fund Limited (CL B)	(E)	2,950	None	Weekly	2 days
Millennium International LTD	(F)	7,047	None	Quarterly	90 Days
Palmetto Fund, LTD (Nephila) (CL D)	(G)	462	None	Quarterly	90 Days
PIMCO Loan Interests and Credit Offshore Fund LTD	(H)	22	None	Monthly	60 Days
Two Sigma Absolute Return Cayman Fund LTD (CL A1)	(I)	2,490	None	Monthly	30 Days
York Credit Opportunities Unit Trust (CL A)	(J)	215	None	Annually	60 Days
Oceanic Hedge Fund (CL B)	(K)	1,857	None	Monthly	90 Days
Luminus Energy Partners, LTD	(L)	1,059	None	Quarterly	90 Days
Seer Capital Partners Offshore Fund, LTD	(M)	2,513	None	Quarterly	90 Days
CFM-Discus Feeder Fund Limited (CL B)	(N)	2,653	None	Monthly	15 Days
Marshall Wace Tops Fund PLC	(O)	3,472	None	Monthly	30 Days
Kepos Alpha Fund Ltd (CL A)	(P)	1,444	None	Monthly	45 Days
Radcliffe Inl Ultra Short Duration Fund, LTD	(Q)	1,756	None	Quarterly	65 Days
Silver Point Capital Fund Ltd	(R)	3,056	None	Annually	90 Days
Twin Beech Capital Offshore Fund LP	(S)	1,252	None	Quarterly	60 Days
Verition Intl Multi-Strategy Fund Ltd (CL A)	(T)	1,179	None	Quarterly	45 Days
ZP Offshore Utility Fund Ltd (Class E)	(U)	1,273	None	Quarterly	45 Days
		$ 42,760			

(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 while 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.

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

(E) 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 the United States.

(F) 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.

(G) 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.

(H) 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.

(I) 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)

(J) 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.

(K) 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.

(L) 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 objectives 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.

(M) 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.

(N) 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.

(O) 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.

(P) Kepos Alpha Fund Ltd was organized as an exempted company incorporated under the provision of the Companies Law (2010 revision) of the Cayman Islands. The fund acts as a feeder fund in a master feeder fund structure and accordingly invests a portion of its capital in Kepos Alpha Master Fund, LP. The master fund's investment objective is to provide investors with an attractive total return on investment capital over an entire three-to five-year market cycle while maintaining a low correlation with global equity markets.

(Q) Radcliffe International Ultra Short Duration Fund, LTD is a Cayman Islands exempted company. The company implements its strategy by investing substantially all of its assets through a master feeder fund structure in Radcliffe Ultra Short Duration Master Fund, L.P. The fund's investment objective is to seek to achieve meaningfully higher net returns than short-term high-grade bond funds, with minimal default risk, while avoiding both the duration risk and credit risk of other fixed income strategies.

Note 5. Investments (Continued)

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

(R) Silver Point Capital Fund Ltd is a Cayman Islands exempted company, that participated or transferred substantially all of its interests in financial instruments, agreements and other assets and related liabilities, to Silver Point Capital Offshore Master Fund, LP. The investment objective of the fund is to achieve superior risk-adjusted returns by investing in debt, equity or other securities or obligations of misvalued, leveraged, or financially distressed companies and in event-oriented and other special situations.

(S) Twin Beech Capital Offshore Fund LP is a Cayman Islands exempted company. The company implements its strategy by investing substantially all of its assets through a master feeder fund structure in Twin Beech Capital Master Fund, L.P. The fund's investment objective is to seek positive attractive absolute and risk-adjusted returns through a research-intensive, data-driven systematic trading and investment program.

(T) Verition International Multi-Strategy Fund Ltd is a Cayman Islands exempted company. The company implements its strategy by investing substantially all of its assets through a master feeder fund structure in Verition Multi-Strategy Master Fund, LTD. The fund's investment objective is superior risk-adjusted returns through implementation of a diversified range of alternative investment strategies.

(U) ZP Offshore Utility Fund Ltd is a Cayman Islands exempted company. The company implements its strategy by investing substantially all of its assets through a master feeder fund structure in ZP Master Utility Fund, LTD. The fund's investment objective is to employ an energy infrastructure-focused, long/short strategy which seeks to deliver absolute returns in all market conditions with minimal correlation to energy section indices and broader market indices.

(V) Paloma International, LTD is a Cayman Islands exempted company. The company implements its strategy by investing substantially all of its assets through a master feeder fund structure in Paloma International LP. The fund's investment objective is to seek to achieve attractive long-term risk-adjusted returns through dynamic capital allocation among a changing set of investment strategies and portfolio managers.

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.

Note 6. Affiliates (Continued)

Investment in Affiliates (Continued)

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. The purpose of ROC-Zachary is to operate a radiation oncology center. The center opened in February 2014. 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. The investment in ROC-Zachary is reported on the equity method of accounting because management determined the other LLC Member has substantive participating rights.

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 statements of operation. On July 1, 2020, the System repurchased 12.5% of its interest in Verity for $1,800,000. The system currently holds 50% 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.

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 was included in the accompanying consolidated balance sheets as other assets as of September 30, 2021. On February 22, 2022, the System sold its interest in Transformyx Inc. for $2,889,660, including excess cash received. The sale agreement included a potential earnout payment based on financial performance of the entity for its year ended December 31, 2022. This is reflected in the consolidated balance sheets as a receivable within other current assets in the amount of $540,000. The System contracts with Transformyx Inc. for information technology services. During the period from October 1, 2021 to the sale of interest, these contract payments totaled approximately $1,190,000. During the year ended September 30, 2021, these contract payments totaled approximately $1,556,000. At September 30, 2021, the System owed Transformyx Inc. approximately $105,000, respectively, related to these services which is included in the accompanying consolidated balance sheets as trade accounts payable.

Note 6. Affiliates (Continued)

Investment in Affiliates (Continued)

On January 1, 2018, the System purchased a 50% interest in Dutchtown Urgent Care, LLC (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 was reported on the equity method of accounting at September 30, 2021. On March 31, 2022, the remaining 50% interest was acquired for a purchase price of $188,000. As of September 30, 2022 and for the period of April 1, 2022 to September 30, 2022, DUTC is reported as a consolidated subsidiary of the System.

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.

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 inpatient 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.

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. In 2022 and 2021, additional members joined LIHNC, which resulted in diluting the System's interest to 5.0% and 17.1% as of September 30, 2022 and 2021, respectively. The investment in LIHNC is reported on the equity method of accounting.

Note 6. Affiliates (Continued)

Investment in Affiliates (Continued)

These investments are summarized as follows:

	2022	2021
	(In Thousands)	
Baton Rouge Rehabilitation Hospital, L.L.C. (BRRH)		
Beginning balance	**$ 2,077**	$ 2,255
Contributions	**-**	-
Distributions	**(2,412)**	(2,510)
Net income (45%)	**2,590**	2,332
	$ 2,255	$ 2,077
Baton Rouge Rehabilitation Development, L.L.C. (BRRD)		
Beginning balance	**$ 2,476**	$ 2,584
Distributions	**(706)**	(704)
Net income (45%)	**613**	596
	$ 2,383	$ 2,476
Radiation Oncology Center - Zachary (ROC-Zachary)		
Beginning balance	**$ 1,046**	$ 744
Contributions	**59**	609
Net loss (70%)	**(283)**	(307)
	$ 822	$ 1,046
Baton Rouge General Home Health		
Beginning balance	**$ 64**	$ 43
Contributions	**-**	-
Distributions	**(18)**	(74)
Net (loss) income (33%)	**(14)**	95
	$ 32	$ 64
Transformyx, Inc.		
Beginning balance	**$ 3,366**	$ 2,866
Net income (0% and 18% at 9/30/2022 and 9/30/2021, respectively)	**64**	500
Sale of interest	**(3,430)**	-
	$ -	$ 3,366
Verity Healthnet, L.L.C. (Verity)		
Beginning balance	**$ 1,862**	$ 1,850
Net income (50%)	**5**	12
	$ 1,867	$ 1,862
Mid-City Specialty Center, L.L.C. (MCSC)		
Beginning balance	**$ (23)**	$ 56
Distributions	**(251)**	(322)
Net income (30%)	**471**	243
	$ 197	$ (23)

Note 6. Affiliates (Continued)

Investment in Affiliates (Continued)

		2022		2021
		(In Thousands)		
Baton Rouge Wellness and Recovery Services, L.L.C. (BRWR)				
Beginning balance	**$**	**403**	$	-
Contributions		**-**		608
Distributions		**-**		-
Net loss (50%)		**(97)**		(205)
	$	**306**	$	403
Louisiana Independent Hospital Network Coalition, L.L.C. (LIHNC)				
Beginning balance	**$**	**-**	$	2
Net income (loss) (5% and 17.1% at 9/30/2022 and 9/30/2021, respectively)		**3**		(2)
	$	**3**	$	-
Dutchtown Urgent Care, LLC (DUTC)				
Beginning balance	**$**	**404**	$	338
Contributions		**24**		-
Net (loss) income (100% and 50% at 9/30/2022 and 9/30/2021, respectively)		**(41)**		66
Acquisition of remaining 50% interest		**188**		-
Elimination of 100% interest due to consolidation		**(575)**		-
	$	-	$	404
Total equity investments	**$**	**7,865**	$	11,675

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, 2022 and 2021:

2022	**Total Assets**	**Total Liabilities**	**Equity**	**Net Income (Loss)**
		(In Thousands)		
BRRH	**$ 6,258**	**$ 1,246**	**$ 5,012**	**$ 5,755**
BRRD	**$ 5,297**	**$ 1**	**$ 5,296**	**$ 1,362**
ROC - Zachary	**$ 1,454**	**$ 84**	**$ 1,370**	**$ (405)**
BRG Home Health	**$ 262**	**$ 155**	**$ 107**	**$ (43)**
Verity Healthnet	**$ 716**	**$ 716**	**$ -**	**$ 11**
Mid-City Specialty Center	**$ 898**	**$ 243**	**$ 655**	**$ 1,485**
BRWR	**$ 2,030**	**$ 1,470**	**$ 560**	**$ (57)**
LIHNC	**$ 107**	**$ 4**	**$ 103**	**$ 7**

2021	Total Assets	Total Liabilities	Equity	Net Income (Loss)
		(In Thousands)		
BRRH	$ 8,028	$ 3,412	$ 4,616	$ 5,183
BRRD	$ 5,506	$ -	$ 5,506	$ 1,324
ROC - Zachary	$ 1,851	$ 159	$ 1,692	$ (439)
BRG Home Health	$ 637	$ 433	$ 204	$ 281
Transformyx	$ 16,277	$ 9,105	$ 7,172	$ 2,766
Verity Healthnet	$ 123	$ 133	$ (10)	$ 24
Dutchtown Urgent Care	$ 428	$ 151	$ 277	$ 132
Mid-City Specialty Center	$ 1,262	$ 1,341	$ (79)	$ 811
BRWR	$ 1,800	$ 1,049	$ 751	$ (170)
LIHNC	$ 17	$ 2	$ 15	$ (12)

Note 6. Affiliates (Continued)

Transactions with Affiliates

At September 30, 2022 and 2021, the System had a receivable of approximately $1,367,000 and $2,130,000, respectively, due from the above referenced affiliates 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 other affiliates for physician services and medical teaching services. Other affiliates, as used within these statements, are persons or entities that are affiliated with the System though directorate control. During 2022 and 2021, these contract payments totaled $6,612,000 and $6,540,000, respectively.

Note 7. Property, Plant, and Equipment

Property, plant, and equipment and accumulated depreciation at September 30, 2022 and 2021 are as follows:

	2022	2021
	(In Thousands)	
Land and land improvements	**$ 47,542**	$ 39,868
Buildings and fixed equipment	**354,405**	342,048
Equipment	**202,330**	189,071
Construction in progress	**4,627**	8,025
	608,904	579,012
Less: Accumulated depreciation	**(346,267)**	(326,602)
	$ 262,637	$ 252,410

Depreciation expense was approximately $19,943,000 and $18,408,000 for the years ended September 30, 2022 and 2021, 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):

	2022	2021
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. This loan, with a principal balance of $20,000,000, was refinanced on October 6, 2021. Interest was reduced to 2.18%, principal and interest payable monthly in the amount of $103,254, maturing on October 6, 2031. Secured by deposits held by Bank. Secured by a mortgage on medical office building which was constructed with the proceeds of issue.	**$ 19,095**	$ 20,000
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, maturing on August 31, 2022. This loan, with a principal balance of $2,475,097, was refinanced on June 2, 2021. Interest was reduced to 2.25%, principal and interest payable monthly in the amount of $71,197, maturing on June 1, 2024. Secured by deposits held by Bank.	**1,404**	2,211
Mortgage payable to Bank, with a principal balance of $129,158,260. Interest rate of 2.85%, principal and interest payable monthly in the amount $966,292, maturing on January 1, 2033. Secured by building. Insured by HUD.	**103,493**	112,064
Mortgage payable to Bank, original principal of $45,474,000 with interest rate of 4.74% per annum. 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.	**40,143**	38,894
Note payable to 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.	**319**	622
Note payable with Bank, original amount of $1,920,000, interest rate of 3.75%, per annum, principal and interest payable monthly in the amount of $26,072, maturing on August 30, 2029. Secured by deposits held by Bank.	**1,900**	-
Note payable with Bank, original amount of $5,731,000, interest rate of 2.35%, per annum, interest only payable monthly, maturing on March 10, 2024. Secured by mortgage on land purchased with loan proceeds.	**5,731**	-
	172,085	173,791
Less: principal payments due within one year	**(12,526)**	(12,249)
Less: debt issuance costs	**(2,960)**	(2,704)
Total long-term debt	**$ 156,599**	$ 158,838

Note 8. Long-Term Debt (Continued)

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)

2023	$ 12,526
2024	19,128
2025	13,176
2026	13,603
2027	14,045
Thereafter	99,607
	$ 172,085

Interest expense charged to operations was approximately $6,941,000 and $6,427,000 for the years ended September 30, 2022 and 2021, respectively.

Note 9. Employee Benefit Plans

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. A participant's elective deferral percentage will automatically increase each year by 1% up to a maximum deferral of 10%. 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 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 $3,910,000 and $3,833,000 for the years ended September 30, 2022 and 2021, respectively.

Note 10. Contingencies and Risk Management (Continued)

In response to the economic impact of COVID-19, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was enacted by Congress and was subsequently signed into law on March 27, 2020. The CARES Act included a variety of economic assistance provisions for businesses and individuals. Under certain provisions in the CARES Act, the System recognized benefits of $-0- and $29,961,000 related to provider relief through net assets released from restrictions in its consolidated statements of operations for the years ended September 30, 2022 and 2021, respectively. A refundable advance portion of $4,541,000 and $-0- is included within deferred revenue in the consolidated balance sheets for the years ended September 30, 2022 and 2021, respectively.

The System also deferred payment of approximately $3,615,000 and $7,205,000 for the employer portion of the Social Security payroll tax as allowed by the CARES Act as of September 30, 2022 and 2021, respectively. Approximately $3,615,000 of the deferral is included in accrued expenses on the accompanying consolidated balance sheet as of September 30, 2022. Approximately $3,487,000 of the deferral is included in accrued expenses and $3,718,000 of the deferral is included as other long-term liabilities on the accompanying consolidated balance sheet as of September 30, 2021. Fifty percent of the deferred taxes was required to be paid by December 31, 2021 with the remainder due 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.

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 $4,021,000 and $26,500,000 classified as a current liability and $-0- and $7,840,000 as a non-current liability for the years ended September 30, 2022 and 2021, respectively.

Note 10. Contingencies and Risk Management (Continued)

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 which 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 $715,000 of these loans in 2021, which is reported as a component of other revenue in 2021.

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 System 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, 2022 and 2021, 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 are reflected below (in thousands):

	2022	2021
Claims liability, beginning of year	**$ 2,395**	$ 1,702
Current year claims and changes in estimates	**19,746**	21,828
Current year claims payments	**(19,689)**	(21,135)
Claims liability, end of year	**$ 2,452**	$ 2,395

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 2030. Rental expense under operating leases totaled approximately $2,269,000 and $2,375,000, for the years ended September 30, 2022 and 2021, respectively.

Future minimum payments under all non-cancelable operating leases with original or remaining terms of one year or more at September 30, 2022 are as follows (in thousands):

2023	$ 1,965
2024	1,251
2025	789
2026	543
2027	527
Thereafter	527
Total minimum rental commitments	$ 5,602

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, 2022 and 2021.

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, 2022 and 2021, approximately $3,099,000 and $11,738,000, 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).

Note 13. Business and Credit Concentrations (Continued)

The mix of receivables due from patients and third-party payors at September 30, 2022 and 2021 was as follows:

	2021	2022
Medicare	**17 %**	18 %
Medicaid	**19 %**	17 %
Commercial and managed care	**64 %**	59 %
Private pay	**- %**	6 %
	100 %	100 %

Note 14. Other Operating Revenue

Other operating revenue recognized during the years ended September 30, 2022 and 2021 consisted of the following (in thousands):

	2022	2021
Retail pharmacy sales	**$ 29,980**	$ 18,631
Cafeteria revenue	**5,831**	4,620
Lab service revenue	**5,669**	6,283
Rent revenues	**4,747**	4,708
Physician shared savings payments	**4,378**	3,706
Training revenue	**2,558**	1,626
Management fees	**1,363**	11,787
Gift shop sales	**941**	835
Purchase rebates	**517**	910
Contributions	**499**	988
EHR revenues	**-**	432
Other	**1,570**	5,852
	$ 58,053	$ 60,378

Note 14. Other Operating Revenue (Continued)

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 at September 30, 2022 are as follows (in thousands):

2023	$ 4,501
2024	3,699
2025	2,194
2026	2,011
2027	1,123
Thereafter	3,578
	$ 17,106

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 recognized UPL revenue upon receipt of payments through June 30, 2022. The System accrues FMP revenue based on invoiced amounts. Effective July 1, 2022, the UPL program was replaced with the Full Directed Payment program (MFP). The System accrues MFP payments based on annual estimates provided by the Louisiana Department of Health (LDH).

During the years ended September 30, 2022 and 2021, Medicaid UPL, FMP, and MFP payments received by the System were approximately $47,738,000 and $44,046,000, 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.

Note 15. Cooperative Endeavor Agreements (Continued)

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 LDH amended its agreements with its contracted Managed Care Organizations (MCO) 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 $5,848,000 and $5,457,000 for the years ended September 30, 2022 and 2021, respectively which are recorded in net patient service revenues on the consolidated 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, 2022 and 2021, expenses related to providing these services were as follows (in thousands):

	Program Services					Support Services		
September 30, 2022	**Healthcare Services**	**Surgical Services**	**Pharmacies**	**Greater Baton Rouge Community Health Improvement**	**Total**	**Management and General**	**Fundraising**	**Total**
Expenses								
Salaries, wages, and benefits	**$ 155,044**	**$ 8,345**	**$ 7,498**	**$ 553**	**$ 171,440**	**$ 82,371**	**$ -**	**$ 253,811**
Supplies and other expenses	**81,219**	**40,955**	**41,505**	**223**	**163,902**	**103,891**	**138**	**267,931**
Depreciation	**19,943**	**-**	**-**	**-**	**19,943**	**-**	**-**	**19,943**
Interest expense	**6,941**	**-**	**-**	**-**	**6,941**	**-**	**-**	**6,941**
Total expenses	**$ 263,147**	**$ 49,300**	**$ 49,003**	**$ 776**	**$ 362,226**	**$ 186,262**	**$ 138**	**$ 548,626**

	Program Services					Support Services		
September 30, 2021	Healthcare Services	Surgical Services	Pharmacies	Greater Baton Health Improvement	Total	Management and General	Fundraising	Total
Expenses								
Salaries, wages, and benefits	$ 151,251	$ 6,281	$ 6,583	$ 611	$ 164,726	$ 86,009	$ -	$ 250,735
Supplies and other expenses	74,992	31,781	38,332	71	145,176	91,998	150	237,324
Depreciation	18,408	-	-	-	18,408	-	-	18,408
Interest expense	6,427	-	-	-	6,427	-	-	6,427
Total expenses	$ 251,078	$ 38,062	$ 44,915	$ 682	$ 334,737	$ 178,007	$ 150	$ 512,894

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:

	2021	2020
	(In Thousands)	
Subject to expenditure for a specified purpose:		
Healthcare programs and facilities	**$ 6,741**	$ 8,778
Medical education	**849**	770
Employee assistance program	**66**	65
	7,656	9,613
Subject to the System's spending policy and appropriation:		
Investment in perpetuity (including amounts above original investment of $157 and $194 at September 30, 2022 and 2021, respectively) which, once appropriated, are expendable to support healthcare programs and medical education.	**673**	411
	673	411
Total net assets with donor restrictions	**$ 8,329**	$ 10,024

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, as follows:

	2022	2021
	(In Thousands)	
COVID Related Expenses	**$ 13,000**	$ 29,961
Property and equipment	**4,831**	594
COVID Lost Revenue	**3,522**	4,159
Patient care	**218**	133
Supplies	**162**	1,737
Employee assistance	**29**	30
Nursing	**13**	23
Scholarships	**10**	3
Education	**6**	21
COVID Related Property and Equipment	**-**	1,192
Total amounts released from restrictions	**$ 21,791**	$ 37,853

Note 19. Transfer of Net Assets

During the years ended September 30, 2022 and 2021, 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:

	2022	2021
	(In Thousands)	
Cash and cash equivalents	**$ 12,330**	$ 30,946
Investments	**199,746**	222,553
Patient accounts receivable	**63,239**	51,946
Current portion of unconditional promises to give, net	**197**	284
	$ 275,512	$ 305,729

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, 2022 and 2021, of approximately $64,680,000 and $65,189,000, respectively. The net operating loss carryforwards expire in varying amounts beginning in 2023 through 2041. 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, February 14, 2023, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these consolidated financial statements.

SUPPLEMENTARY INFORMATION

GENERAL HEALTH SYSTEM
Consolidating Balance Sheet
September 30, 2022
(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	JOP Development, LLC	Behavioral Health, Inc., & Other Entities	Eliminations	General Health System Consolidated
ASSETS														
Current assets														
Cash and cash equivalents	$ -	$ 1,357	$ 1,503	$ -	$ 2,512	$ -	$ 419	$ -	$ 6,539	$ -	$ -	$ -	$ -	$ 12,330
Patient accounts receivable	-	-	61,471	-	-	-	1,768	-	-	-	-	-	-	63,239
Current portion of unconditional promises to give, net	-	-	-	-	1,575	-	-	-	-	-	-	-	-	1,575
Inventories	-	-	15,560	-	-	-	320	-	-	-	-	-	-	15,880
Prepaid expenses and other assets	-	7,135	20,784	-	11	8	1,215	-	765	-	-	668	-	30,586
Short-term Trust Receivable	-	4,466	-	-	-	-	-	-	-	-	-	-	-	4,466
Short-term investments	-	107,238	91,881	-	627	-	-	-	-	-	-	-	-	199,746
Total current assets	-	120,196	191,199	-	4,725	8	3,722	-	7,304	-	-	668	-	327,822
Investments - limited to use	-	-	25,402	-	-	-	-	-	-	-	-	-	-	25,402
Investments - donor restricted	-	-	-	-	6,592	-	-	-	-	-	-	-	-	6,592
Unconditional promises to give, net, less current portion	-	-	-	-	774	-	-	-	-	-	-	-	-	774
Investment in affiliates	403,850	2	-	-	-	1,867	-	-	-	-	-	5,996	(403,850)	7,865
Goodwill	-	383	4,706	-	-	-	310	-	-	-	-	-	-	5,399
Trust receivable	-	22,660	-	-	-	-	-	-	-	-	-	-	-	22,660
Other assets	-	8,742	90	-	-	-	-	-	-	-	-	-	-	8,832
Due from affiliates	-	-	61,260	-	-	7,664	-	11	-	-	-	24,561	(93,496)	-
Property, plant, and equipment, net	-	58,571	196,727	118	-	-	1,491	-	-	-	5,730	-	-	262,637
Total assets	$ 403,850	$ 210,554	$ 479,384	$ 118	$ 12,091	$ 9,539	$ 5,523	$ 11	$ 7,304	$ -	$ 5,730	$ 31,225	$ (497,346)	$ 667,983
LIABILITIES AND NET ASSETS														
Current liabilities														
Trade accounts payable	$ -	$ 21,141	$ 20,431	$ -	$ 2	$ -	$ 1,302	$ -	$ 31	$ -	$ 6	$ -	$ -	$ 42,913
Accrued expenses	-	11,649	12,183	-	23	51	1,846	111	-	-	-	9	-	25,872
Medicare advances	-	-	3,973	-	-	-	48	-	-	-	-	-	-	4,021
Deferred Revenue	-	679	8,894	-	40	-	-	-	763	-	-	-	-	10,376
Amounts due to contractual third-party payors	-	-	636	-	-	-	-	-	-	-	-	-	-	636
Current portion of self-insurance reserves	-	6,621	-	-	-	-	-	-	3,389	-	-	-	-	10,010
Current portion of long-term debt	-	2,263	10,263	-	-	-	-	-	-	-	-	-	-	12,526
Total current liabilities	-	42,353	56,380	-	65	51	3,196	111	4,183	-	6	9	-	106,354
Self-insurance reserves, less current portion	-	989	-	-	-	-	-	-	191	-	-	-	-	1,180
Long-term debt, less current portion, net of debt issuance costs	-	20,343	130,525	-	-	-	-	-	-	-	5,731	-	-	156,599
Due to affiliates	-	7,254	-	8,843	-	-	76,992	-	-	309	98	-	(93,496)	-
Other long-term liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	-	70,939	186,905	8,843	65	51	80,188	111	4,374	309	5,835	9	(93,496)	264,133
Net assets														
Without donor restrictions	395,521	139,615	292,479	(8,725)	3,697	9,488	(74,665)	(100)	2,930	(309)	(105)	31,216	(395,521)	395,521
With donor restrictions	8,329	-	-	-	8,329	-	-	-	-	-	-	-	(8,329)	8,329
Total net assets	403,850	139,615	292,479	(8,725)	12,026	9,488	(74,665)	(100)	2,930	(309)	(105)	31,216	(403,850)	403,850
Total liabilities and net assets	$ 403,850	$ 210,554	$ 479,384	$ 118	$ 12,091	$ 9,539	$ 5,523	$ 11	$ 7,304	$ -	$ 5,730	$ 31,225	$ (497,346)	$ 667,983

See independent auditor’s report.

GENERAL HEALTH SYSTEM
Consolidating Balance Sheet (Continued)
September 30, 2021
(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	$ -	$ 4,724	$ 17,323	$ -	$ 2,099	$ -	$ 605	$ -	$ 6,195	$ -	$ -	$ -	$ 30,946
Patient accounts receivable	-	-	48,703	-	-	-	3,243	-	-	-	-	-	51,946
Current portion of unconditional promises to give, net	-	-	-	-	1,615	-	-	-	-	-	-	-	1,615
Inventories	-	-	12,122	-	-	-	399	-	-	-	-	-	12,521
Prepaid expenses and other assets	-	7,489	9,370	-	15	8	8,185	-		-	103	-	25,170
Short-term Trust Receivable	-	1,113	-	-	-	-	-	-	-	-	-	-	1,113
Amounts due from contractual third-party payors	-	-	1,837	-	-	-	-	-	-	-	-	-	1,837
Short-term investments	-	155,188	66,794		571	-	-	-	-	-	-	-	222,553
Total current assets	-	168,514	156,149	-	4,300	8	12,432	-	6,195	-	103	-	347,701
Cash and cash equivalents - limited to use	-	-	682	-	-	-	-	-	-	-	-	-	682
Investments - limited to use	-	-	24,671	-	-	-	-	-	-	-	-	-	24,671
Investments - donor restricted	-	-	-	-	8,071	-	-	-	-	-	-	-	8,071
Unconditional promises to give, net, less current portion	-	-	-	-	853	-	-	-	-	-	-	-	853
Investment in affiliates	396,266	-	-	-	-	1,862	-	-	-	-	9,813	(396,266)	11,675
Goodwill	-	383	4,706	-	-	-	-	-	-	-	-	-	5,089
Trust receivable	-	19,878	-	-	-	-	-	-	-	-	-	-	19,878
Other assets	-	10,201	175	-	-	-	-	-	-	-	-	-	10,376
Due from affiliates	-	-	112,117	-	-	6,742	-	11	-	-	18,796	(137,666)	-
Property, plant, and equipment, net	-	53,630	197,232	82	-	-	1,466	-	-	-	-	-	252,410
Total assets	$ 396,266	$ 252,606	$ 495,732	$ 82	$ 13,224	$ 8,612	$ 13,898	$ 11	$ 6,195	$ -	$ 28,712	$ (533,932)	$ 681,406
LIABILITIES AND NET ASSETS													
Current liabilities													
Trade accounts payable	$ -	$ 11,735	$ 16,314	$ -	$ 15	$ -	$ 1,022	$ -	$ 25	$ -	$ -	$ -	$ 29,111
Accrued expenses	-	16,402	11,708	-	26	51	1,731	111	713	-	592	-	31,334
Medicare advances	-		26,165	-	-	-	335	-	-	-	-	-	26,500
Deferred Revenue	-	257	4,398	-	-	-	-	-	-	-	-	-	4,655
Amounts due to contractual third-party payors	-	-	-	-	-	-	-	-	-	-	-	-	-
Current portion of self-insurance reserves	-	7,471	-	-	-	-	-	-	2,930	-	-	-	10,401
Current portion of long-term debt	-	1,651	10,598	-	-	-	-	-	-	-	-	-	12,249
Total current liabilities	-	37,516	69,183	-	41	51	3,088	111	3,668	-	592	-	114,250
Medicare advances	-	-	7,840	-	-	-	-	-	-	-	-	-	7,840
Self-insurance reserves, less current portion	-	1,063	-	-	-	-	-	-	28	-	-	-	1,091
Long-term debt, less current portion, net of debt issuance costs	-	21,064	137,774	-	-	-	-	-	-	-	-	-	158,838
Due to affiliates	-	48,076	-	8,807	-	-	80,474	-	-	309	-	(137,666)	-
Other long-term liabilities	-	3,718	-	-	-	-	-	-	-	-	-	-	3,718
Total liabilities	-	111,437	214,797	8,807	41	51	83,562	111	3,696	309	592	(137,666)	285,737
Net assets													
Without donor restrictions	386,242	141,169	280,935	(8,725)	3,159	8,561	(69,664)	(100)	3,096	(309)	28,120	(386,242)	386,242
With donor restrictions	10,024	-	-	-	10,024	-	-	-	-	-	-	(10,024)	10,024
Total net assets	396,266	141,169	280,935	(8,725)	13,183	8,561	(69,664)	(100)	3,096	(309)	28,120	(396,266)	396,266
Total liabilities and net assets	$ 396,266	$ 252,606	$ 495,732	$ 82	$ 13,224	$ 8,612	$ 13,898	$ 11	$ 6,792	$ -	$ 28,712	$ (533,932)	$ 682,003

See independent auditor’s report.

GENERAL HEALTH SYSTEM
Consolidating Statement of Operations
September 30, 2022
(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	JOP Development, LLC	Behavioral Health, Inc., & Other Entities	Eliminations	General Health System Consolidated
Revenues, gains, and other support without donor restrictions												
Net patient service revenue	$ -	$ -	$ 458,884	$ -	$ -	$ -	$ 37,684	$ -	$ -	$ -	$ -	$ 496,568
Other revenue	-	81,388	69,749	66	1,778	1,001	8,051	1,475	-	35	(105,490)	58,053
Transfers to net assets with donor restrictions	-	-	-	-	(22)	-	-	-	-	-	-	(22)
Net assets released from donor restrictions	-	-	16,521	-	438	-	-	-	-	-	-	16,959
Total revenues, gains, and other support without donor restrictions	-	81,388	545,154	66	2,194	1,001	45,735	1,475	-	35	(105,490)	571,558
Expenses												
Salaries, wages, and benefits	-	17,594	201,516	-	553	-	34,148	-	-	-	-	253,811
Supplies and other expenses	-	53,264	298,482	63	4,238	79	16,396	735	30	134	(105,490)	267,931
Depreciation	-	2,297	17,329	3	-	-	314	-	-	-	-	19,943
Interest expense	-	522	6,357	-	-	-	(13)	-	75	-	-	6,941
Total expenses	-	73,677	523,684	66	4,791	79	50,845	735	105	134	(105,490)	548,626
Operating income (loss)	-	7,711	21,470	-	(2,597)	922	(5,110)	740	(105)	(99)	-	22,932
Earnings of subsidiaries	4,447	13	-	-	-	5	-	-	-	3,304	(4,447)	3,322
Investment return, net	-	(9,778)	(11,185)	-	(438)	-	-	(406)	-	-	-	(21,807)
Excess (deficit) of revenues over expenses	$ 4,447	$ (2,054)	$ 10,285	$ -	$ (3,035)	$ 927	$ (5,110)	$ 334	$ (105)	$ 3,205	$ (4,447)	$ 4,447

See independent auditor's report.

GENERAL HEALTH SYSTEM
Consolidating Statement of Operations (Continued)
September 30, 2021
(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	$ -	$ -	$ 457,858	$ -	$ -	$ -	$ 22,965	$ -	$ -	$ -	$ -	$ 480,823
Other revenue	-	72,684	47,782	64	988	745	19,615	1,338	-	10,879	(93,717)	60,378
Transfers to net assets with donor restrictions	-	-	-	-	(387)	-	-	-	-	-	-	(387)
Net assets released from donor restrictions	-	-	34,120	-	1,947	-	-	-	-	-	-	36,067
Total revenues, gains, and other support without donor restrictions	-	72,684	539,760	64	2,548	745	42,580	1,338	-	10,879	(93,717)	576,881
Expenses												
Salaries, wages, and benefits	-	16,552	190,806	-	611	-	32,051	-	-	10,715	-	250,735
Supplies and other expenses	-	45,704	269,434	64	3,539	72	11,219	917	-	92	(93,717)	237,324
Depreciation	-	2,404	15,684	-	-	-	320	-	-	-	-	18,408
Interest expense	-	805	5,622	-	-	-	-	-	-	-	-	6,427
Total expenses	-	65,465	481,546	64	4,150	72	43,590	917	-	10,807	(93,717)	512,894
Operating income (loss)	-	7,219	58,214	-	(1,602)	673	(1,010)	421	-	72	-	63,987
Earnings of subsidiaries	88,780	(2)	-	-	-	12	-	-	-	3,333	(88,780)	3,343
Investment return, net	-	12,548	8,260	-	449	-	-	193	-	-	-	21,450
Nonoperating gain	-	-	-	-	-	-	-	-	-	-	-	-
Excess (deficit) of revenues over expenses	$ 88,780	$ 19,765	$ 66,474	$ -	$ (1,153)	$ 685	$ (1,010)	$ 614	$ -	$ 3,405	$ (88,780)	$ 88,780

See independent auditor’s report.

GENERAL HEALTH SYSTEM

Schedule of Compensation, Benefits, and Other Payments
To Agency Head
For the Year Ended September 30, 2022

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.

GENERAL HEALTH SYSTEM

Financial Responsibility Supplemental Schedule
For the Year Ended September 30, 2022

Lines	Primary Reserve Ratio (in thousands):			
		Expendable Net Assets		
32	Balance Sheet - Net assets without donor restrictions	Net assets without donor restrictions		395,521
33	Balance Sheet - Net assets with donor restrictions	Net assets with donor restrictions		8,329
FS Note 6 - Transactions with Affiliates	Notes to the Financial Statements - Affiliates note disclosure	Secured and Unsecured related party receivable	1,367	
FS Note 6 - Transactions with Affiliates	Notes to the Financial Statements - Affiliates note disclosure	Unsecured related party receivable		1,367
18	Balance Sheet - Property, plant, and equipment, net	Property, plant, and equipment, net (includes Construction in progress)	262,637	
FS Note 7	Notes to the Financial Statements - Property, plant, and equipment - pre-implementation	Property, plant, and equipment - pre-implementation		160,041
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		35,538
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		62,431
FS Note 7 - Line 4	Notes to the Financial Statements - Property, plant, and equipment note disclosure - Construction in progress	Construction in progress		4,627
15	Balance Sheet - Goodwill	Intangible Assets		5,399
26, 30	Balance Sheet - Long-term debt (both current and long-term)	Long term debt - for long term purposes	169,125	
FS Note 8	Balance Sheet - Long-term debt (both current and long-term)	Long term debt - for long term purposes - pre-implementation		144,537
FS Note 8	Balance Sheet - Long term debt (both current and long term)	Long-term debt - for long term purposes - post-implementation		27,548
FS Note 8	Balance Sheet - Long term debt (both current and long term)	Long-term debt - for long term purposes - for Construction in process		-
FS Note 17 - Line 6	Notes to Financial Statements - Net assets with donor restrictions disclosure	Net assets with donor restrictions: restricted in perpetuity		673
		Total Expenses and Losses		
45	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		548,626

See independent auditor’s report.

GENERAL HEALTH SYSTEM

Financial Responsibility Supplemental Schedule (Continued)
For the Year Ended September 30, 2022

Lines	**Equity Ratio (in thousands):**			
		Modified Net Assets		
32	Balance Sheet - Net assets without donor restrictions	Net assets without donor restrictions		395,521
33	Balance Sheet - Net assets with donor restrictions	Net assets with donor restrictions		8,329
15	Balance Sheet - Goodwill	Intangible Assets		5,399
FS Note 6 - Transactions with Affiliates	Notes to the Financial Statements - Affiliates note disclosure	Secured and Unsecured related party receivable	1,367	
FS Note 6 - Transactions with Affiliates	Notes to the Financial Statements - Affiliates note disclosure	Unsecured related party receivable		1,367
		Modified Assets		
19	Balance Sheet - Total assets	Total assets		667,983
15	Balance Sheet - Goodwill	Intangible assets		5,399
FS Note 6 - Transactions with Affiliates	Notes to the Financial Statements - Affiliates note disclosure	Secured and Unsecured related party receivable	1,367	
FS Note 6 - Transactions with Affiliates	Notes to the Financial Statements - Affiliates note disclosure	Unsecured related party receivable		1,367

Lines	**Net Income Ratio (in thousands):**			
		Modified Net Assets		
52	Statement of Changes in Net Assets - Change in Net Assets Without Donor Restrictions	Change in net assets without donor restrictions		9,279
40, 47, 51	Statement of Operations and Statement of Changes in Net Assets - Total Revenues, gains, and other support, Earnings of subsidiaries, and Net assets released from restriction - capital	Total revenues and gains		579,712

See independent auditor's report.

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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
Baton Rouge, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of General Health System (a nonprofit organization) (the System) which comprise the consolidated balance sheet as of September 30, 2022, 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 February 14, 2023.

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 and correct, 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
February 14, 2023

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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
Baton Rouge, Louisiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited General Health System's (the System) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the System's major federal programs for the year ended September 30, 2022. The System's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the System complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2022.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance
Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to the System's federal programs.

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we

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

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

Report on Internal Control Over Compliance

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

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

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

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

LaPorte

A Professional Accounting Corporation

Metairie, LA
February 14, 2023

GENERAL HEALTH SYSTEM
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2022

Grantor/Program Title/ Pass-Through Grantor's Number	Assistance Listing Number	Contract Period	Federal Expenditures
U.S. Department of Housing and Urban Development:			
Mortgage Insurance - Hospitals	14.128	10/01/21-09/30/22	$ 143,635,881
U.S. Department of Education *(Note 2)*:			
Student Financial Aid Cluster			
Federal Pell Grant Program	84.063	07/01/21-06/30/22	182,818
		07/01/22-06/30/23	136,529
Federal Direct Student Loans	84.268	07/01/21-06/30/22	492,761
		07/01/22-06/30/23	392,159
			1,204,267
U.S. Department of Education:			
Education Stabilization Fund	84.425	10/01/21-09/30/22	164,150
U.S. Department of Health and Human Services:			
Louisiana Hospital Association			
National Bioterrorism Hospital Preparedness Program	93.889	10/01/21-09/30/22	133,919
U.S. Department of Health and Human Services:			
COVID-19 - Provider Relief Fund	93.498	1/1/2020-6/30/2022	5,159,092
U.S. Department of Homeland Security:			
State of Louisiana Governor's Office of Homeland Security and Emergency Preparedness			
COVID-19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	10/01/21-09/30/22	3,251,567
Total Expenditures of Federal Awards			$ 153,548,876

Note 1. Basis of Accounting

The schedule of expenditures of federal awards is prepared using the accrual basis of accounting.

Complete Catalog of Assistance Listing numbers are presented for those programs for which such numbers were available. Assistance Listing prefixes and other identifying numbers are presented for programs for which a complete Assistance Listing 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.

A mortgage reserve fund was established as a trust fund with a trustee. As of September 30, 2022, the fund had a balance of $23,928,000, which is presented as a component of assets whose use is limited on the consolidated balance sheet.

The related mortgages payable as of September 30th are summarized as follows (in thousands):

	2022	2021
Mortgage payable to Bank, original principal of $45,474,000 with interest rate of 4.74% per annum. Interest computed and payable monthly through April 2020. Beginning in May 2020, principal and interest payable monthly in the amount of $353,477, maturing May 1, 2035. Secured by building. Insured by HUD.	**$ 40,143**	$ 38,894
Mortgage payable to Bank, with a principal balance of $129,158,260. Interest rate of 2.85%, principal and interest payable monthly in the amount $966,292, maturing on January 1, 2033. Secured by building. Insured by HUD.	**103,493**	112,064
	$ 143,636	$ 150,958

Note 5. Reconciliation of COVID-19 Grant Revenue Recognized in the Financial Statements to Federal Award Expended on the SEFA

During the prior fiscal year, the U. S. Department of Health and Human Services (HHS) began providing COVID-19 related Funding under Assistance Listing Number 93.498. The funds are to be utilized to offset eligible COVID-19 expenditures and lost revenues related to COVID-19 as defined in the program regulations. The System recognized amounts received as the programs requirements were met as shown in the table below. The amounts received and expended are reported in the SEFA according HHS periods of availability (also known as the "period of performance").

Reporting Period	Total Funding Received	Amount Recognized as Revenue in the Statement of Activities	Amount Recognized as Deferred Revenue	Amount Reported as Federal Expenditure on SEFA
FYE September 30, 2020	$ 47,987,000	$ 108,058,000	$ 29,929,000	$ -
FYE September 30, 2021	$ 32,000	$ 29,961,000	$ -	$ 43,693,236
FYE September 30, 2022	$ 4,541,000	$ -	$ 4,541,000	$ 5,159,092

The amount reported as federal expenditure on the SEFA for the year ended September 30, 2022 includes $157,730 of expenditures related to unconsolidated affiliates of the System that are not covered under our single audit report.

During the years ended September 30, 2022 and 2021, the U.S. Department of Homeland Security obligated $3,251,567 and $5,199,488, respectively, of funds to the System under Assistance Listing Number 97.036. The System recognized $3,521,959 and $4,159,590 of those funds during the years ended September 30, 2022 and 2021, respectively. The amounts expended are reported in the SEFA according to the period in which the funds are obligated to the System. Therefore, the amount reported in the SEFA for the year ended September 30, 2022 is $3,251,567.

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
93.498 COVID-19 - Provider Relief Fund
84.063 Federal Pell Grant Program
84.268 Federal Direct Student Loans
97.036 COVID-19 - Disaster Grants - Public Assitance (Presidentially Declared Disasters)

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.

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AGREED-UPON PROCEDURES REPORT

General Health System

Independent Accountant's Report
On Applying Agreed-Upon Procedures

For the Period October 1, 2021 - September 30, 2022

To the Board of Trustees
General Health System and
the Louisiana Legislative Auditor:

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA) Statewide Agreed-Upon Procedures (SAUP) for the fiscal period October 1, 2021 through September 30, 2022. General Health System's (the Organization) management is responsible for those C/C areas identified in the SAUPs.

General Health System has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in the LLA's SAUPs for the fiscal period October 1, 2021 through September 30, 2022. Additionally, the LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

Written Policies and Procedures

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

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

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

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

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

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

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

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

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

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

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

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

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

Results: No exceptions noted. Procedures (a), (g), (i), (j), and (l) not applicable.

Board or Finance Committee

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

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

b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds. *Alternately, for those entities reporting on the nonprofit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

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

Results: No exceptions were noted as a result of performing these procedures. Procedures (b) and (c) not applicable.

Bank Reconciliations

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

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

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

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

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

Collections (excluding electronic funds transfers)

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

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

    a) Employees that are responsible for cash collections do not share cash drawers/registers.

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

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

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

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

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

    a) Observe that receipts are sequentially pre-numbered.

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

    c) Trace the deposit slip total to the actual deposit per the bank statement.

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

    e) Trace the actual deposit per the bank statement to the general ledger.

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

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

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

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

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

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

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

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

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and:

    a) Observe that the disbursement matched the related original itemized invoice and that supporting documentation indicates that deliverables included on the invoice were received by the entity.

    b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

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

Credit Cards/Debit Cards/Fuel Cards/P-Cards

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

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

    a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder.

       [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]

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

13. Using the monthly statements or combined statements selected under #12 above, <u>excluding fuel cards</u>, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e., each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

    <u>Results</u>: Not applicable.

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

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

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

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

    c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

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

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

Contracts

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

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

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

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

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

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

Payroll and Personnel

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

17. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

    a) Observe that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, officials are not eligible to earn leave and do not document their attendance and leave. However, if the official is earning leave according to a policy and/or contract, the official should document his/her daily attendance and leave.)

    b) Observe that supervisors approved the attendance and leave of the selected employees or officials.

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

    d) Observe that the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.

18. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select 2 employees or officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee or officials' cumulative leave records, agree the pay rates to the employee or officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.

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

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

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:

    a) Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

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

    Results: Not applicable.

Debt Service

21. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each debt instrument issued.

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

    Results: Not applicable.

Fraud Notice

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

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

Results: Exception noted for #24. There is no evidence that the entity has posted fraud notice on their website or premises. No exceptions noted for remaining procedures.

Information Technology Disaster Recovery/Business Continuity

25. Perform the following procedures and verbally discuss the results with management:

    a) Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.

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

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

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

Sexual Harassment

26. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.

27. Observe that the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website). Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1st, and observe that it includes the applicable requirements of R.S. 42:344:

    a) Number and percentage of public servants in the agency who have completed the training requirements;

    b) Number of sexual harassment complaints received by the agency;

    c) Number of complaints which resulted in a finding that sexual harassment occurred;

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

    e) Amount of time it took to resolve each complaint.

    Results: Not applicable.

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

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

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

LaPorte

A Professional Accounting Corporation

Metairie, LA
March 17, 2023

General Health System

March 17, 2023

Mr. Michael J. Waguespack
Louisiana Legislative Auditor
1600 N. 3rd Street
P.O. Box 94397
Baton Rouge, LA 70804-9397

RE: SAUP Agreed-Upon Procedures

The management of General Health System wishes to provide the following responses relative to the results of the 2022 statewide agreed-upon procedures engagement:

> In response to the exception noted related to the posting of the notice required by R.S. 24:523.1 on its premises and website, the System will post the notice as required.

Sincerely,

Kendall Johnson
Chief Financial Officer