Consolidated Financial Statements and Reports and Schedules Required by the Uniform Guidance

Ochsner Clinic Foundation and Subsidiaries
Year Ended December 31, 2020
With Reports of Independent Auditors

Ernst & Young LLP

Building a better working world

Ochsner Clinic Foundation and Subsidiaries

Consolidated Financial Statements and Reports and Schedules Required by the Uniform Guidance

Year Ended December 31, 2020

Contents

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Report of Independent Auditors

The Board of Directors and Management
Ochsner Clinic Foundation and Subsidiaries

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Ochsner Clinic Foundation and subsidiaries, which comprise the consolidated balance sheets as of December 31 2020 and 2019, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Ochsner Clinic Foundation as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated April 22, 2021, on our consideration of the Ochsner Clinic Foundation'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 Ochsner Clinic Foundation'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 Ochsner Clinic Foundation's internal control over financial reporting and compliance.

Ernst & Young LLP

April 22, 2021

Ochsner Clinic Foundation and Subsidiaries

Consolidated Balance Sheets

(In Thousands)

	December 31 2020	December 31 2019
Assets		
Current assets:		
Cash and cash equivalents	$ 550,786	$ 298,038
Assets limited as to use required for current liabilities	7,755	10,180
Patient accounts receivable	375,137	282,705
Accounts receivable other	303,962	202,338
Inventories	158,404	81,618
Prepaid expenses and other current assets	68,086	55,169
Estimated third-party payor settlements	70,461	32,565
Total current assets	1,534,591	962,613
Assets limited as to use:		
By Board for capital improvements, charity, research, and other	1,475,802	757,825
Under bond indenture agreements	100,131	–
Under self-insurance trust fund	9,092	8,285
Donor-restricted long-term investments	116,045	100,220
Total assets limited as to use	1,701,070	866,330
Less assets limited as to use required for current liabilities	7,755	10,180
Non-current assets limited as to use	1,693,315	856,150
Investments in unconsolidated affiliates, real estate, and other	81,868	81,130
Property – net	1,766,755	1,244,864
Right of use asset from operating leases	281,810	229,050
Goodwill and intangible assets	108,062	83,848
Other assets	87,436	38,009
Total assets	$ 5,553,837	$ 3,495,664

Ochsner Clinic Foundation and Subsidiaries

Consolidated Balance Sheets (continued)
(In Thousands)

	December 31 2020	December 31 2019
Liabilities and net assets		
Current liabilities:		
Accounts payable	$ 298,468	$ 220,219
Accrued salaries, wages, and benefits	306,141	213,407
Deferred revenue	124,245	43,371
Estimated third-party payor settlements	7,374	5,404
Notes payable – current	98,430	99,430
Long-term debt and bonds payable – current portion	20,339	32,471
Operating lease current liabilities	54,508	40,855
Other current liabilities	112,671	54,337
Total current liabilities	1,022,176	709,494
Pension and postretirement obligations	202,867	165,412
Bonds payable	1,728,902	973,402
Long-term debt	171,857	173,884
Operating lease long-term liabilities	239,586	201,025
Other long-term liabilities	455,619	138,727
Total liabilities	3,821,007	2,361,944
Commitments and contingencies *(Notes 8 and 20)*		
Net assets:		
Without donor restrictions	1,590,252	1,012,412
Noncontrolling interest	1,530	–
Total net assets without donor restrictions	1,591,782	1,012,412
Net assets with donor restrictions	141,048	121,308
Total net assets	1,732,830	1,133,720
Total liabilities and net assets	$ 5,553,837	$ 3,495,664

See notes to financial statements.

Ochsner Clinic Foundation and Subsidiaries

Consolidated Statements of Operations
(In Thousands)

	Year Ended December 31 2020	2019
Revenues:		
Patient service revenue	$ 2,897,546	$ 2,697,582
Premium revenue	392,525	341,052
Other operating revenue	1,197,084	793,763
Net assets released from restrictions used for operations	7,473	6,769
Total revenues	4,494,628	3,839,166
Expenses:		
Salaries and wages	1,937,321	1,678,085
Benefits	205,617	180,111
Medical services to outside providers	170,078	150,312
Medical supplies and services	940,811	771,553
Other operating expenses	872,003	726,011
Depreciation and amortization	167,922	144,627
Interest	65,961	56,451
Total expenses	4,359,713	3,707,150
Operating income	134,915	132,016
Non-operating gains (losses):		
Inherent contribution from business combination	416,909	–
Investment and other realized gains – net	41,276	14,933
Unrealized gains on investments – net	44,492	75,728
Loss on early extinguishment of debt	(6,754)	–
Pension credit (cost)	1,543	(823)
Total non-operating gains	497,466	89,838
Excess of revenues over expenses	632,381	221,854
Attributable to noncontrolling interest	(372)	–
Excess of revenues over expenses:		
Attributable to the Ochsner Clinic Foundation	$ 632,009	$ 221,854

See notes to financial statements.

Ochsner Clinic Foundation and Subsidiaries

Consolidated Statements of Changes in Net Assets
(In Thousands)

	Year Ended December 31 2020	2019
Changes in net assets without donor restrictions		
Excess of revenues over expenses:		
Attributable to Ochsner Clinic Foundation	$ 632,009	$ 221,854
Net assets released from restrictions used for capital acquisitions	4,265	4,307
Investment income (loss)	83	(259)
Noncontrolling interest acquired in business combination	1,530	–
Pension-related changes other than net periodic pension costs	(58,517)	(33,904)
Increase in net assets without donor restrictions	579,370	191,998
Changes in net assets with donor restrictions		
Contributions	25,377	12,826
Investment income	4,179	5,373
Net assets with donor restrictions acquired in business combination	1,922	–
Net assets released from restrictions used for:		
Operations	(7,473)	(6,767)
Capital acquisitions	(4,265)	(4,307)
Increase in net assets with donor restrictions	19,740	7,125
Increase in net assets	599,110	199,123
Net assets – beginning of year	1,133,720	934,597
Net assets – end of year	$ 1,732,830	$ 1,133,720

See notes to financial statements.

Ochsner Clinic Foundation and Subsidiaries

Consolidated Statements of Cash Flows

(In Thousands)

	Year Ended December 31 2020	2019
Operating activities		
Increase in net assets	$ 599,110	$ 199,123
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Pension-related changes other than net periodic pension costs	58,517	33,904
Depreciation and amortization	167,922	144,627
Loss on early extinguishment of debt	6,754	–
Loss from equity-method investments, net of cash received	8,869	3,938
Net realized and unrealized gains on investments	(89,698)	(94,752)
Inherent contribution on business combination	(416,909)	–
Restricted net assets acquired in business combination	(1,922)	–
Non-controlling interest acquired in business combination	(1,158)	–
Other, net	1,029	2,566
Changes in operating assets and liabilities, net of acquisitions:		
Patient accounts receivable	(3,933)	(11,374)
Other current and non-current assets	(173,005)	(54,227)
Accounts payable	(1,440)	31,061
Accrued expenses and other liabilities	364,631	32,192
Net cash provided by operating activities	518,767	287,058
Investing activities		
Purchases of assets whose use is limited and other investments	(1,313,635)	(249,051)
Sales and maturities of assets whose use is limited and other investments	1,026,648	316,579
Capital expenditures	(348,942)	(200,297)
Acquisition of businesses, net of cash acquired of $139,050 and $2 in 2020 and 2019, respectively	138,739	(1,217)
Other	24,735	1,269
Net cash used in investing activities	(472,455)	(132,717)
Financing activities		
(Payments) proceeds on line of credit	(1,000)	47,000
Repayment of bonds payable and long-term debt	(326,105)	(26,455)
Proceeds from bonds payable and long-term borrowings	772,553	–
Payment of debt financing costs	(7,224)	–
Payments on finance lease obligations	(14,211)	(16,264)
Proceeds from contributions restricted for long-term investments	2,346	1,812
Net cash provided by financing activities	426,359	6,093
Net increase in cash, cash equivalents, and restricted cash	472,671	160,434
Cash, cash equivalents, and restricted cash – beginning of year	298,038	137,604
Cash, cash equivalents, and restricted cash – end of year	$ 770,709	$ 298,038

See notes to financial statements.

1. Summary of Significant Accounting Policies

Organization

Ochsner Clinic Foundation (OCF or Ochsner) d/b/a Ochsner Health, located in New Orleans, Louisiana, is a not-for-profit institution that, either directly or through its fully owned subsidiaries, owns and operates an acute care hospital known as Ochsner Medical Center (OMC), an 11-story clinic building, a 134-room hotel, and related medical facilities located on a main campus in Jefferson Parish at the western end of New Orleans. OCF owns Ochsner Medical Center West Bank and Ochsner Baptist Medical Center, which are operated as remote campuses of OMC. It also owns and operates health centers throughout southeast Louisiana; owns a hospital in Baton Rouge, Louisiana, that operates as Ochsner Medical Center Baton Rouge; owns a hospital in Slidell, Louisiana, that operates as Ochsner Medical Center – North Shore; owns a hospital in Kenner, Louisiana, that operates as Ochsner Medical Center – Kenner; operates a hospital in Raceland, Louisiana, known as Ochsner St. Anne General Hospital; operates a hospital in Bay St. Louis, Mississippi, that operates as Ochsner Hancock Medical Center; operates a hospital in Morgan City, Louisiana, known as Ochsner St. Mary; and owns several fitness centers that operate as Ochsner Fitness Center. OCF also provides management assistance and support for a hospital in Houma, Louisiana, known as Leonard J. Chabert Medical Center (Chabert); for a hospital in Luling, Louisiana, known as St. Charles Parish Hospital (SCPH); for a hospital in Chalmette, Louisiana, known as St. Bernard Parish Hospital (SBPH); and for hospitals and clinics located in Shreveport, Louisiana, and Monroe, Louisiana, known as Ochsner LSU Health System of North Louisiana (OLHS-NL). On October 1, 2020, OCF merged with Lafayette General Health, which was rebranded as Ochsner Lafayette General (OLG). OLG operates 7 hospitals in the Acadiana region of Louisiana, including Ochsner Lafayette General Medical Center, Ochsner Lafayette General Surgical Hospital, Ochsner Lafayette General Orthopaedic Hospital, Ochsner University Hospital & Clinics, Ochsner Abrom Kaplan Memorial Hospital, Ochsner Acadia General Hospital, and Ochsner St. Martin Hospital. Refer to Note 3 for additional discussion of the OLG transaction.

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 (U.S. GAAP). The consolidated financial statements include the accounts of Ochsner, its wholly owned subsidiaries, and its controlled affiliates.

All intercompany accounts and transactions have been eliminated upon consolidation. The assets of any member of the consolidated group may not be available to meet the obligations of other members in the group, except as disclosed in Notes 10, 11, and 12.

1. Summary of Significant Accounting Policies (continued)

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents on the balance sheet include investments with a maturity of three months or less when purchased, excluding amounts whose use is limited by board designation, under bond indenture agreements, or under self-insurance agreements.

The following table provides a reconciliation of cash, cash equivalents, cash equivalents whose use is limited by board designation, and restricted cash reported within the statement of financial position that sum to the total of the same such amounts shown in the statement of cash flows for the years ended December 31, 2020 and 2019:

	December 31	
	2020	**2019**
	(In Thousands)	
Cash and cash equivalents	$ 550,786	$ 298,038
Assets limited as to use:		
By Board for capital improvements, charity, research, and other	119,792	–
Under bond indenture agreements	100,131	–
Cash, cash equivalents, and restricted cash	$ 770,709	$ 298,038

Inventories

Inventories are stated at the lower of first-in, first-out cost or net realizable value.

1. Summary of Significant Accounting Policies (continued)

Pledges Receivable

Unconditional promises to give are recognized as revenues at their fair values in the period received. Pledges receivable are recorded net of necessary discounts and allowances. The current portion of pledges receivable is recorded in accounts receivable other and the non-current portion is recorded in other assets in the consolidated balance sheets.

Pledges receivable as of December 31 are expected to be realized as follows (in thousands):

	2020	2019
In one year or less	$ 9,338	$ 8,777
Between one and five years	13,958	16,152
Greater than five years	4,978	3,319
	28,274	28,248
Less discount (ranging from 0.00% to 3.13% at December 31, 2020 and 2019) and allowance for uncollectible pledges	(4,734)	(1,773)
Pledges receivable – net	$ 23,540	$ 26,475

Investments

Investments held by Ochsner are included in assets limited as to use in the consolidated balance sheets. Substantially all of Ochsner's investments are designated as other-than-trading investments. Investments in equity securities and fixed income funds of the U.S. government and government agencies with readily determinable fair values, and all investments in debt securities are measured at fair value in the consolidated balance sheets. Investments also include investments in private equity funds, hedge funds, real estate funds, offshore fund vehicles, and funds of funds structured as limited liability corporations or partnerships or trusts. These investments are termed alternative investments in the notes to the consolidated financial statements and are accounted for under the equity method, which approximates fair value. These funds invest in certain types of financial instruments, including, among others, futures and forward contracts, options, and securities sold not yet purchased, intended to hedge against changes in the market value of investments. These financial instruments, which involve varying degrees of risk, may result in loss due to changes in the market (market risk).

1. Summary of Significant Accounting Policies (continued)

Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in excess of revenues over expenses unless the income or loss is restricted by donor or law.

If management believes a decline in the value of a particular investment is temporary, the decline is included in change in net unrealized gains (losses) on investments on the consolidated statements of operations.

If the decline is evaluated as being other than temporary, the carrying value of the investment is written down and an impairment loss is recorded in non-operating gains and losses in the consolidated statements of operations. Ochsner did not record impairment losses on investment securities for the years ended December 31, 2020 or 2019.

Assets Limited as to Use

Assets limited as to use primarily include assets held by trustees under indenture agreements, self-insurance trust agreements, investments restricted by donors, and designated assets set aside by the Board of Trustees (the Board) primarily for future capital improvements, over which the Board retains control and may, at its discretion, subsequently use for other purposes. Amounts required to meet current liabilities have been classified in the consolidated balance sheets as current assets.

Property – Net

Property improvements and additions are recorded at cost and capitalized and depreciated on the straight-line basis over the following estimated useful lives of the assets:

	Years
Land improvements	5–25
Buildings and building improvements	9–40
Leasehold improvements	5–20
Equipment, furniture, and fixtures	2–20

1. Summary of Significant Accounting Policies (continued)

Impairment of Long-Lived Assets

Ochsner evaluates the carrying value of long-lived assets to be held and used when events and circumstances warrant such a review. The carrying value of a long-lived asset is considered impaired when the anticipated undiscounted cash flow from such asset is separately identifiable and is less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair value of the long-lived asset. Fair value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved. There were no impairment charges on long-lived assets recognized for the years ended December 31, 2020 or 2019.

Capitalization of Interest

Ochsner capitalizes interest expense on qualifying construction-in-progress expenditures based on an imputed interest rate estimating Ochsner's average cost of borrowed funds. Such capitalized interest becomes part of the cost of the related asset and is depreciated over its estimated useful life. Capitalized interest costs totaled approximately $3.3 million and $4.4 million for the years ended December 31, 2020 and 2019, respectively.

Goodwill and Intangible Assets

Goodwill and intangible assets consists primarily of trade name, licenses, trademark, and employment contracts. Goodwill was mainly recorded as a result of the merger of Alton Ochsner Medical Foundation with Ochsner Clinic LLC in 2001, which resulted in the creation of OCF. Goodwill represents the excess of the fair value of the consideration conveyed in the acquisition over the fair value of net assets acquired. Goodwill and indefinite-lived intangible assets arising from business combinations are not amortized, but rather are tested for impairment at least annually at the reporting unit level. Impairment is the condition that exists when the carrying amount of goodwill or intangible assets exceeds its implied fair value. Additional impairment assessments may be performed on an interim basis if OCF encounters events or changes in circumstances that would indicate that it is more likely than not that the carrying value of goodwill or intangible assets has been impaired. OCF has selected October 31 as its annual testing date and has determined that its reporting unit is the consolidated entity.

1. Summary of Significant Accounting Policies (continued)

The first step in the impairment process is to estimate the fair value of the reporting unit and then compare it to the carrying value, including goodwill. If the fair value exceeds the carrying value, no further action is required and no impairment loss is recognized. OCF determined that the use of the income and market approaches were the most appropriate methods of measuring fair value of the reporting unit. These are considered Level 3 valuations in the valuation hierarchy described in Note 4.

Under the income approach, fair value is estimated using a discounted cash flow analysis. Under the market approach, fair value is estimated using a guideline company method and a comparable transaction method. Both the income approach and the market approach require significant assumptions to determine the fair value of the reporting unit. The significant assumptions used in the income approach include estimates of future revenues, profits, capital expenditures, working capital requirements, operating plans, industry data, and an appropriate discount rate for the reporting unit. The significant assumptions used in the market approach include the determination of appropriate market comparables and estimated multiples of net revenue and earnings before interest, taxes, depreciation, and amortization. OCF engaged a third-party valuation firm to assist in these fair value calculations. OCF performed Step 1 of the impairment test using a quantitative impairment analysis and concluded the fair value exceeded the carrying value, and no further action was required for 2020 or 2019.

Deferred Revenue

Deferred revenue includes amounts related to Medicaid supplemental payments which are yet to be recognized as revenue (see Note 5), payments received in advance of services rendered for Ochsner's electronic health records (EHR) services agreements (see Note 16), and Medicare Accelerated and Advance Payment Program (AAPP) payments received under the Coronavirus Air, Relief, and Economic Security Act (CARES Act) (see Note 2).

Deferred Financing Costs

In connection with the issuance of bonds and long-term debt, certain financing costs are being amortized over the respective lives of the bonds and long-term debt. These costs are approximately \$17.8 million and \$11.2 million net of accumulated amortization at December 31, 2020 and 2019, respectively, and are included as a reduction to bonds payable and long-term debt in the accompanying consolidated balance sheets.

1. Summary of Significant Accounting Policies (continued)

Derivative Financial Instruments

Ochsner utilizes interest rate swap agreements to manage its interest rate exposure. Changes in the fair value of Ochsner's swaps not designated as hedges are recorded as non-operating gains and losses in the consolidated statements of operations. Changes in the fair value of Ochsner's swaps that are designated as hedges are recorded as changes in unrestricted net assets in the consolidated statements of changes in net assets.

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

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

Accounting for Pension and Other Postretirement Plans

Ochsner recognizes the overfunded or underfunded status of its pension and other postretirement plans as an asset or a liability in its consolidated balance sheets. Changes in the funded status of the pension and other postretirement plans are reported as a change in net assets without donor restrictions presented below the excess of revenues over expenses financial statement line item in the consolidated statement of changes in net assets in the year in which the changes occur.

Noncontrolling Interest in Consolidated Subsidiaries

As part of the acquisition of OLG, Ochsner acquired joint ventures for which the ownership interest is less than 100% but are controlled by Ochsner and therefore consolidated. The consolidated financial statements include all assets, liabilities, revenues, and expenses of these entities. Noncontrolling interests in the consolidated balance sheets represent the portion of net assets owned by other entities.

1. Summary of Significant Accounting Policies (continued)

Net Assets

Resources are classified for reporting purposes as net assets without donor restrictions and net assets with donor restrictions, according to the absence or existence of donor-imposed restrictions.

Net Assets Without Donor Restrictions

Net assets without donor restrictions are those whose use by OCF has not been limited by donors and are available for general operating use. Board-designated net assets are net assets without donor restrictions that have been set aside by the Board for specific purposes.

Net Assets With Donor Restrictions

Net assets with donor restrictions are those assets, including contributions and accumulated investment returns, whose use by OCF has been limited by donors to a specific time, period, or purpose. 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 are maintained in perpetuity to provide a permanent source of income. Donor-restricted gifts are recorded as an addition to net assets with donor restrictions in the period received. Earnings on donor-restricted gifts are recorded as investment income in net assets with donor restrictions and subsequently used in accordance with the donor's designation.

Consolidated Statements of Operations

For purposes of presentation, all revenues and expenses are reported as operating except for investment income, the loss from early extinguishment of debt, pension costs or credits, other gains and losses – net, and inherent contribution from business combination which are reported as non-operating.

Excess of Revenues Over Expenses

The consolidated statements of operations include excess of revenues over expenses, which represents Ochsner's performance indicator. Changes in net assets without donor restriction, which are excluded from excess of revenues over expenses, consistent with industry practice, include contributions used to acquire property and equipment, and pension-related changes other than net periodic pension costs.

1. Summary of Significant Accounting Policies (continued)

Patient Service Revenue

Patient service revenue is reported at the amount that reflects the consideration Ochsner expects to be entitled for providing patient care. These amounts are due from patients, third-party payors (including managed care payors and government programs), and others, and include variable consideration for retroactive revenue adjustments due to settlement of reviews and audits. Generally, Ochsner 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 Ochsner. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected or actual charges. Ochsner 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. Ochsner 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 a faithful depiction of the transfer of services over the term of performance obligations based on the inputs needed to satisfy the obligations.

Because its performance obligations relate to contracts with a duration of less than one year, Ochsner has elected to apply the optional exemption provided in Financial Accounting Standards Board (FASB) Accounting Standards Codification (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 referred to above are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

As provided for under the guidance, Ochsner does not adjust the promised amount of consideration 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.

1. Summary of Significant Accounting Policies (continued)

Ochsner is utilizing the portfolio approach practical expedient in ASC 606 for contracts related to patient service revenue. Ochsner 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 revenue and outpatient revenue. Based on historical collection trends and other analyses, Ochsner has concluded that revenue for a given portfolio would not be materially different from accounting for revenue on a contract-by-contract basis.

Ochsner has agreements with third-party payors that generally provide for payments at amounts different from Ochsner's established rates. For uninsured patients who do not qualify for charity care, Ochsner recognizes revenue based on established rates, subject to certain discounts and implicit price concessions in accordance with policy. Ochsner determines the transaction price based on standard charges for services provided, reduced by explicit price concessions provided to third-party payors, discounts provided to uninsured patients in accordance with policy, and implicit price concessions provided to uninsured patients. Explicit price concessions are based on contractual agreements, discount policies, and historical experience. Implicit price concessions represent differences between amounts billed and the estimated consideration Ochsner 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 deductible and coinsurance, which vary in amount. Ochsner 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. Adjustments arising from a change in the transaction price were not significant in 2020 or 2019.

Provisions for third-party payor settlements and adjustments are estimated in the period the related services are provided and adjusted in future periods as additional information becomes available and final settlements are determined.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is a possibility that recorded estimates will change by a material amount.

1. Summary of Significant Accounting Policies (continued)

Charity Care

Ochsner provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Records of charges foregone for services and supplies furnished under the charity care policy are maintained to identify and monitor the level of charity care provided. Because Ochsner does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Ochsner estimates its costs of care provided under its charity care programs by applying a ratio of direct and indirect costs to charges to the gross foregone charges associated with providing care to charity patients. Ochsner's gross charity care charges include only services provided to patients who are unable to pay and qualify under Ochsner's charity care policies. The ratio of cost to charges is calculated based on Ochsner's total expenses divided by gross patient revenue. During the years ended December 31, 2020 and 2019, the estimated costs incurred by Ochsner to provide care to patients who met certain criteria under its charity care policy were approximately $39.8 million and $36.8 million, respectively.

Community Benefit

Ochsner and four other health care providers have formed nonprofit organizations with the purpose of creating a vehicle to provide services to low-income and needy patients. Expenditures recorded by Ochsner to fund the organizations for the years ended December 31, 2020 and 2019, were approximately $78.4 million and $49.6 million, respectively. In each of the years 2020 and 2019, OCF made a $5.0 million payment to OLHS-NL to promote common charitable goals through the support of educational opportunities for medical and clinical professionals in the provision of health care services for low-income and needy patients. These expenditures are included in other operating expenses in the consolidated statements of operations.

Other Operating Revenue

Other operating revenue includes pharmacy revenue, rental revenue, durable medical equipment rentals and sales, gift shop revenues, revenue from joint operating agreements and management agreements, income from equity-method investees, fitness center revenue, hotel revenue, and revenues from other miscellaneous sources.

1. Summary of Significant Accounting Policies (continued)

Medicaid Managed Care Incentive Payment Program

The Medicaid Managed Care Incentive Payment (MCIP) program was established during 2019 by the Louisiana Department of Health to achieve quality reforms that increase access to healthcare, improve the quality of care, and enhance the health of members of the Louisiana Medicaid managed care organizations. Contracted hospitals receive payments from an accountable care organization based on their participation and contribution to the outcomes. During 2020 and 2019, Ochsner recognized $39.4 million and $59.8 million, respectively, of MCIP revenue, which is recorded in other operating revenue based on the milestones achieved by the program and has a $31.0 million and $30.5 million receivable included in accounts receivable other on the accompanying balance sheets at December 31, 2020 and 2019, respectively.

Donor-Restricted Gifts

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received, which is then treated as cost. The gifts are reported within net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statements of operations as net assets released from restrictions. Contributions for which restrictions are met in the same period in which the unconditional promise to give is received are recorded as unrestricted revenue.

Fair Value of Financial Instruments Other Than Investments

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

Current Assets and Liabilities

Ochsner considers the carrying amounts of financial instruments classified as current assets and liabilities to be a reasonable estimate of their fair values.

1. Summary of Significant Accounting Policies (continued)

Income Taxes

The majority of Ochsner and its subsidiaries qualify as tax-exempt organizations under Section 501(a) and are described in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal and state income taxes. Any federal income taxes associated with the for-profit entities are not material to Ochsner's consolidated financial statements. Management annually reviews its tax positions and has determined that there are no material uncertain tax positions that require recognition in the accompanying consolidated balance sheets. The statute of limitations remains open for tax years 2017 through 2020 in Ochsner's main tax jurisdictions.

Concentration of Credit Risk

Ochsner grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements.

Risks and Uncertainties

Ochsner's business could be impacted by continuing price pressure on new and renewal business, Ochsner's ability to effectively control health care costs, additional competitors entering Ochsner's markets, and federal and state legislation in the area of health care reform. Changes in these areas could adversely impact its operations in the future.

Pending Accounting Pronouncements

In June 2016, the FASB issued Accounting Standards Update No. (ASU) 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.* The amendments affect loans, debt securities, trade receivables, net investments in leases, off balance sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. For assets held at amortized cost basis, Topic 326 eliminates the probable initial recognition threshold in current GAAP and, instead, requires an entity to reflect its current estimate of all expected credit losses. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial assets to present the net amount expected to be collected. For available for sale debt

1. Summary of Significant Accounting Policies (continued)

securities, credit losses should be measured in a manner similar to current GAAP; however, Topic 326 will require that credit losses be presented as an allowance rather than as a write-down. The provisions of ASU 2016-13 are effective for Ochsner starting January 1, 2023. Management is currently evaluating the impact of this pronouncement on Ochsner's consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, *Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. The amendments in this update eliminate Step 2 from the goodwill impairment test in an effort to simplify the subsequent measurement of goodwill. Step 2 requires determining the fair value at the impairment testing date of assets and liabilities (including unrecognized assets and liabilities) following the procedure that would be required in determining the fair value of assets acquired and liabilities assumed in a business combination. The provisions of ASU 2017-04 are effective for Ochsner starting January 1, 2023, and early adoption is permitted. Management is currently evaluating the impact of this pronouncement on Ochsner's consolidated financial statements.

2. COVID-19 Pandemic

In March 2020, the World Health Organization (WHO) declared the novel coronavirus disease (COVID-19) a pandemic. The Centers for Disease Control and Prevention (CDC) confirmed its spread to the United States and it was declared a national public health emergency, followed by several state emergency declarations, and the Centers for Medicare & Medicaid Services (CMS) issuing guidance regarding elective procedures. Several national and international travel restrictions were put in place and the governors in the states in which Ochsner has operations issued executive orders postponing non-essential or elective surgeries. In May 2020, elective surgeries were resumed as governmental order restrictions on elective surgeries were modified.

Ochsner worked with federal and Louisiana state officials to help fund the completion of three previously shelled floors of Ochsner Medical Center's critical care tower that added approximately 100 new ICU beds for COVID-19 patients. These additional beds allowed Ochsner to manage both the new increase in hospitalized COVID-19 patients as well as maintaining normal operations needed to meet the health care needs of the community. Ochsner is in the process of applying for federal aid from the Federal Emergency Management Agency (FEMA) for reimbursement of the build-out of the hospital for these new ICU beds. Ochsner is also in the process of applying for

2. COVID-19 Pandemic (continued)

federal aid from FEMA for other disaster-related expenses. Ochsner received reimbursement of $68.2 million from FEMA during 2020 as a partial reimbursement of these claims. This is included in other revenue in the consolidated statement of operations and the funds will be subject to audit by FEMA.

Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), Ochsner received $296.0 million in advances through the Medicare Accelerated and Advance Payment Program (AAPP). Ochsner is not subject to recoupment of the Medicare payments for a period of one year from the date it received the AAPP payments, as stated through the Continuing Appropriations Act, 2021 and Other Extensions Act. As a result, $105.3 million of these advances are classified as short term and are included in deferred revenue, and $190.7 million are classified as long-term and are included in other long-term liabilities on the consolidated balance sheet.

Ochsner also received $211.4 million of Provider Relief Funds from the CARES Act during 2020. The Department of Health and Human Services (HHS) has issued reporting requirements regarding utilization of the funds granted from the Provider Relief Funds under the CARES Act, which states that OCF must demonstrate that the funds have been used for healthcare-related expenses attributable to COVID-19 or lost revenue as compared to budgeted 2020 revenue. In accordance with Ochsner's calculations based on HHS's most recent guidance, Ochsner believes it can retain the Provider Relief Funds and has recognized the full $211.4 million in other operating revenue in the accompanying statement of operations. In the event that future HHS guidance changes or HHS does not agree with Ochsner's calculations, Ochsner could have to refund a portion of these funds.

The CARES Act also allowed for a deferral of payments of the employer portion of Social Security taxes. Ochsner intends to defer $67.0 million of the payment of employer portion of Social Security taxes. Of this amount, Ochsner intends to defer $38.8 million until 2021, which is included in accrued salaries, wages, and benefits in the consolidated balance sheet, and the remaining $28.2 million until 2022, which is included in other long-term liabilities in the consolidated balance sheet.

The COVID-19 pandemic could still negatively impact OCF's operations and financial condition, and the ultimate impact is unknown.

3. Business Combinations, Strategic Partnerships, and Affiliation Agreements

Business Combinations

On October 1, 2020, Ochsner acquired OLG. The transaction was structured as a member substitution arrangement whereby Ochsner became the sole corporate member of OLG without the transfer of consideration. The transaction was accounted for using the acquisition method of accounting.

In accordance with ASC 958-805, *Not-for-Profit Entities – Business Combinations*, Ochsner recognized an inherent contribution as the excess of the acquisition date fair values of the assets acquired and liabilities assumed over the consideration transferred. The fair values are summarized as follows (in thousands):

Consideration transferred	$ –
Fair values of assets acquired and liabilities assumed:	
Cash and cash equivalents	109,038
Patient and other accounts receivable	99,468
Other current assets	48,095
Property and equipment	323,094
Intangible assets	24,725
Other non-current assets	362,971
Accounts payable, accrued and other current liabilities	(179,421)
Long term debt	(244,517)
Other long-term liabilities	(123,464)
Fair value of assets acquired and liabilities assumed	419,989
Less non-controlling interest	(1,158)
Total inherent contribution	$ 418,831
Classification of total inherent contribution:	
Without restrictions	$ 416,909
With restrictions	1,922
	$ 418,831

The fair value of the net assets without restriction totaling $416.9 million was recognized as a nonoperating contribution in the consolidated statement of operations for the year ended December 31, 2020.

3. Business Combinations, Strategic Partnerships, and Affiliation Agreements (continued)

For the period from October 1, 2020 through December 31, 2020, total operating revenue and excess revenue over expenses attributable to OLG were $218.7 million and $5.0 million, respectively.

Unaudited proforma results had the acquisition of OLG occurred as of January 1, 2019 would have resulted in a total of operating revenue and excess revenue over expenses of $5,126.6 million and $231.9 million, respectively, for the year ended December 31, 2020 and $4,690.0 million and $252.1 million, respectively, for the year ended December 31, 2019. In calculating these unaudited proforma numbers, the effects of the inherent contribution and loss on extinguishment of debt associated with the transaction have been excluded, and the effects of the incremental depreciation expense related to adjustments to property and equipment, amortization associated with the acquired intangible assets, and a net reduction in interest expense as a result of the refinancing of OLG's debt have been included.

On October 1, 2019, Ochsner completed an agreement to lease Teche Regional Medical Center, a 164-bed acute care hospital, a related medical office building, and equipment in Morgan City, Louisiana. As part of this transaction, Ochsner paid cash of $1.2 million to acquire certain current assets and assumed liabilities of $1.1 million. Ochsner also acquired the provider number and renamed the facility Ochsner St. Mary. Ochsner has accounted for this lease as an operating lease and will make lease payments of approximately $1.5 million over the 10-year lease term. The results of Ochsner St. Mary are not material to Ochsner's results of operations.

During 2020 and 2019, Ochsner completed several physician practice acquisitions, none of which were material to the results of operations.

Strategic Partnerships and Affiliation Agreements

In recent years, Ochsner has entered into several strategic partnership and affiliation agreements. They are a component of Ochsner's efforts to increase local access to care, improve quality, reduce the cost of health care, and share best practices and resources in order to improve the health of Louisiana communities.

Ochsner has Joint Operating Agreements (JOAs) with St. Tammany Parish Hospital (STPH), Terrebonne General Medical Center (TGMC), and Slidell Memorial Hospital (SMH). These JOAs are intended to coordinate resources with the goal of lowering costs, improving quality, and creating a seamless clinical environment for patients in each of their respective local regions.

3. Business Combinations, Strategic Partnerships, and Affiliation Agreements (continued)

STPH, TGMC, and SMH all remain public hospitals governed by their respective Boards. Ochsner is financially integrated with these hospitals and recognizes other operating revenue or other operating expense related to the JOAs in its consolidated statements of operations.

Ochsner also provides management assistance and support for Chabert, SCPH, SBPH, and OLHS-NL. Under the management agreements for Chabert, SCPH, and SBPH, Ochsner receives management fees and any excess of revenues over expenses generated by each of the facilities annually, as well as reimbursement of purchased services incurred on behalf of the facilities.

Effective October 1, 2018, OCF entered into management agreements with a newly formed nonprofit entity OLHS-NL to provide management services, billing and collection services, and administrative support for certain hospital and health care operations in Shreveport and Monroe. OCF and the Board of Supervisors of Louisiana State University and Agricultural and Mechanical College (LSU) formed OLHS-NL to assume overall responsibility for the operations and clinical activities of the former University Health hospitals and clinics in Shreveport and Monroe and coordinate the activities between LSU Medical School, the parties' physicians, and the health care operations in Shreveport and Monroe. OLHS-NL is a stand-alone nonprofit organization and is not a subsidiary of either LSU or OCF. OLHS-NL's bylaws require that LSU and OCF each appoint an equal number of directors to the OLHS-NL Board to oversee, coordinate, and manage OLHS-NL's activities.

In conjunction with the management agreement of OLHS-NL, Ochsner acquired the EHR licenses and related liabilities, and hired the Information Services (IS) employees of OLHS-NL. With this acquisition, Ochsner fully manages the IS function of OLHS-NL.

Subsequent Event

In April 2021, Ochsner signed a membership interest purchase agreement with Louisiana Women's Healthcare Associates, LLC (LWHA) to acquire 100% membership interests in LWHA. LWHA is the leading provider of women's healthcare services in Baton Rouge, Louisiana. The results of LWHA will be included in Ochsner's consolidated financial statements from the transaction date.

4. Assets Limited as to Use and Related Fair Value Measurements and Disclosures

Short-Term Investments

ASC 820, *Fair Value Measurement*, establishes a common definition for fair value to be applied to U.S. GAAP requiring use of fair value, establishes a framework for measuring fair value, and expands disclosures about such fair value measurements.

ASC 820 establishes a hierarchy for ranking the quality and reliability of the information used to determine fair values. ASC 820 requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1 – Unadjusted quoted market prices in active markets for identical assets or liabilities.

Level 2 – Unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

Level 3 – Unobservable inputs for the asset or liability.

Ochsner endeavors to utilize the best available information in measuring fair value. Financial assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement. Transfers into and transfers out of the hierarchy levels are recognized as if they had taken place at the end of the reporting period. There were no transfers between Level 1 and Level 2 in the years ended December 31, 2020 or 2019.

4. Assets Limited as to Use and Related Fair Value Measurements and Disclosures (continued)

Assets and Liabilities Measured at Fair Value

Recurring Fair Value Measurements

The fair values of assets measured at estimated fair value on a recurring basis are estimated as described in the preceding section. These estimated fair values and their corresponding fair value hierarchy in accordance with ASC 820 are summarized as follows (in thousands):

	Fair Value Measurements at Reporting Date Using			
	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)[a]	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Estimated Fair Value
December 31, 2020				
Money market funds	$ 142,416	$ –	$ –	$ 142,416
Fixed income investments	797,167	–	–	797,167
Marketable equity securities	294,274	–	–	294,274
Total	$ 1,233,857	$ –	$ –	$ 1,233,857
December 31, 2019				
Money market funds	$ 17,675	$ –	$ –	$ 17,675
Fixed income investments	188,423	–	–	188,423
Marketable equity securities	256,707	–	–	256,707
Total	$ 462,805	$ –	$ –	$ 462,805

[a] Valuation of these securities classified as Level 1 is based on unadjusted quoted prices in active markets that are readily and regularly available. Investments classified as Level 1 include mutual funds that are publicly traded.

4. Assets Limited as to Use and Related Fair Value Measurements and Disclosures (continued)

Alternative investments and other investments of approximately $462.3 million and $398.7 million at December 31, 2020 and 2019, respectively, are not included in these tables since they are accounted for using the equity method of accounting and not measured at fair value. As of December 31, 2020 and 2019, real estate investments of approximately $7.6 million are not included in these tables since they are accounted for at cost.

Investment income and other gains and losses are classified as non-operating and comprise interest and dividend income of approximately $17.1 million and $11.5 million and realized net gains on sales of securities of approximately $24.1 million and $3.5 million for 2020 and 2019, respectively. Unrealized gains on alternative investments were approximately $13.2 million and $46.6 million during 2020 and 2019, respectively, and unrealized gains on investments other than alternative investments were approximately $31.3 million and $29.1 million during 2020 and 2019, respectively.

5. Patient Service and Premium Revenue

A summary of the significant payment arrangements with major third-party payors follows:

Medicare and Medicaid

Inpatient acute care services related to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Medicare inpatient rehabilitation services are also paid at prospectively determined rates per discharge, based on a patient classification system. Psychiatric services rendered to Medicare beneficiaries are reimbursed on a prospectively determined rate per day. Outpatient services to Medicare beneficiaries are paid on a prospectively determined amount per procedure. Medicare skilled nursing care is paid on a prospectively determined amount per diem based on a patient classification system. The Medicare program’s share of indirect medical education costs is reimbursed based on a stipulated formula.

The Medicare program’s share of direct medical education costs is reimbursed based on a prospectively determined amount per resident. Inpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined per diem rates. Outpatient services rendered to Medicaid program beneficiaries are reimbursed either on a cost basis subject to certain limits or on a prospectively determined amount per procedure.

5. Patient Service and Premium Revenue (continued)

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation as well as significant regulatory action, and, in the normal course of business, Ochsner is subject to contractual review and audits, including audits initiated by the Medicare Recovery Audit Contract program. As a result, there is at least a reasonable possibility that recorded estimates will change in the near term. Ochsner believes it is in compliance with applicable laws and regulations governing the Medicare and Medicaid programs and that adequate provisions have been made for any adjustments that may result from final settlements.

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. Ochsner 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 Ochsner's historical settlement activity, including an assessment to ensure that it is probable that a significant revenue reversal in the amount of the cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known or as years are settled or are no longer subject to such reviews and audits. Adjustments arising from a change in estimated settlements increased patient service revenue by $8.8 million and $2.1 million in 2020 and 2019, respectively.

Medicaid Supplemental Payment Program

Since December 2010, Ochsner's hospitals and eight other hospitals (Baton Rouge General Medical Center, CHRISTUS Health Shreveport-Bossier, CHRISTUS St. Frances Cabrini Hospital, CHRISTUS Ochsner St. Patrick Hospital, Glenwood Regional Medical Center, Ochsner LSU Health Shreveport, Rapides Regional Medical Center, and Tulane University Hospital and Clinic) entered into public private partnerships with the State and several units of local government in Louisiana (Jefferson Parish Hospital Service District No. 2, Natchitoches Hospital District No. 1, Jefferson Parish Human Services Authority, Terrebonne Parish Hospital Service District #1, Southern Regional Medical Corporation, Hospital Service District No. 3 of the Parish of Allen, Savoy Medical Center, Hospital Service District No. 1 of Iberia Parish, St. Tammany Parish Hospital Service District No. 1, St. Tammany Parish Hospital Service District No. 2, Hospital Service District No. 1 of St. Charles Parish, Hospital Service District of the Parish of St. Bernard, Lafourche Parish Hospital Service District No. 2, and Vermilion Parish Hospital Service District #2) to more fully fund the Medicaid program (the Program) to ensure services remain available to low-income and needy patients in the respective communities.

5. Patient Service and Premium Revenue (continued)

These public private partnerships enable the governmental entities to increase support for the Uncompensated Care Cost (UCC) program for hospital services to the Medicaid and uninsured populations, the Medicaid Upper Payment Limits (UPL) programs for physician services to the Medicaid fee-for-service population, and the Full Medicaid Payment (FMP) program for physician services to the Medicaid managed care population. Each State's UCC and UPL methodology must comply with its State plan and be approved by CMS. Under the UCC and UPL programs, federal matching funds are not available for Medicaid payments that exceed a provider's individual UPL or UCC entitlement.

Under the FMP program, Medicaid Managed Care Organizations are contracted to pay increased reimbursement for physician services that more closely aligns the reimbursement rates for the Medicaid managed care population with the equivalent total reimbursement rates for the Medicaid fee-for-service population.

In 2020 and 2019, Ochsner recognized approximately $165.6 million and $150.7 million, respectively, in patient service revenue related to the Program and recorded accounts receivable of approximately $41.5 million and $20.0 million as of December 31, 2020 and 2019, respectively. Such amounts are included in accounts receivable other in the accompanying consolidated balance sheets.

Ochsner Lafayette General collaborated with the State of Louisiana, assuming operational responsibility for LSU's teaching Hospital, Ochsner University Hospitals & Clinics in Lafayette, Louisiana. The Cooperative Endeavor Agreement (CEA) provides for direct graduate medical education payments and indirect medical education reimbursement (DGME and IME) to LSU. The DGME and IME payment rules establish "caps" on the number of residency positions that are reimbursable but allow the caps (the Residency Caps) to be shared among and/or affiliated to other hospitals under certain circumstances. In order for LSU to continue to effectively provide the LSU graduate medical education programs, LSU transferred certain Residency Caps to the hospitals. The agreement also provides for other cost-based funding to the hospitals and Louisiana Medicaid uncompensated care payments to the hospital for the provision of health care services to Medicaid and self-pay/uninsured patients in a given State fiscal year. Ochsner recognized a total of $15.5 million during 2020 after the acquisition of OLG on October 1, 2020 as a component of net patient service revenue, in accordance with the terms of the CEA.

5. Patient Service and Premium Revenue (continued)

Humana Inc.

Ochsner entered into a provider contract with Humana Inc. to provide services for its commercial and senior members on a fee-for-service basis for physician services and at prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates for hospital services. Also, Ochsner provided services to approximately 39,800 senior members under a capitation contract for both physician and hospital services. Premium revenue from Humana Inc. under the capitation contract approximated $392.0 million and $341.1 million in 2020 and 2019, respectively, and is included in premium revenue in the accompanying consolidated statements of operations. Expenses for medical services to outside providers under the capitation contract approximated $170.1 million and $150.3 million in 2020 and 2019, respectively, and are included in medical services to outside providers in the accompanying consolidated statements of operations. Net revenue from Humana Inc. on a fee-for-service basis approximated $263.0 million and $246.8 million in 2020 and 2019, respectively, and is included in patient service revenue in the accompanying consolidated statements of operations.

Managed Care

Ochsner has also entered into contractual arrangements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. Inpatient and outpatient services rendered to managed care subscribers are reimbursed at prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

The table below shows the sources of patient service revenue for the years ended December 31 (in thousands).

	2020	2019
Commercial	$ 1,384,592	$ 1,348,894
Medicare	522,608	489,501
Medicaid	539,311	462,419
Managed Medicare	419,656	380,627
Guarantor/patients/other	31,379	16,141
Patient service revenue	$ 2,897,546	$ 2,697,582

6. Patient Accounts Receivable

At December 31, Ochsner's patient accounts receivable balances were due from the following sources (in thousands):

	2020	2019
Commercial	$ 215,546	$ 166,079
Medicare	62,771	40,615
Medicaid	39,368	30,466
Managed Medicare	45,382	34,874
Guarantor/patients/other	12,070	10,671
Total patient accounts receivable – net	$ 375,137	$ 282,705

7. Liquidity and Availability

Financial assets available for general expenditure within one year of December 31 include the following (in thousands):

	2020	2019
Cash and cash equivalents	$ 550,786	$ 298,038
Patient accounts receivable	375,137	282,705
Accounts receivable other	303,962	202,338
Assets limited to use by Board for capital improvements, charity, research, and other	1,475,802	757,825
	$ 2,705,687	$ 1,540,906

Ochsner has assets limited as to use held by trustees under self-insurance trust agreements and investments restricted by donors. These investments are not reflected in the amounts above.

As part of Ochsner's liquidity management plan, cash in excess of daily requirements for general expenditures is invested in long-term investments. Ochsner's long-term investment portfolio contains money market funds and other liquid investments that can be drawn upon, if necessary, to meet liquidity needs.

Ochsner also maintains credit lines totaling $200.0 million as discussed in Note 10.

8. Property – Net

Ochsner's investment in property at December 31 is as follows (in thousands):

	2020	2019
Land and improvements	$ 157,521	$ 115,740
Buildings and leasehold improvements	1,559,638	1,180,992
Equipment, furniture, and fixtures	1,591,627	1,400,004
Construction-in-progress	161,834	86,011
Total property – at cost	3,470,620	2,782,747
Less accumulated depreciation	1,703,865	1,537,883
Property – net	$ 1,766,755	$ 1,244,864

Depreciation expense including amortization of finance lease assets totaled approximately $167.4 million and $144.6 million for the years ended December 31, 2020 and 2019, respectively.

At December 31, 2020 and 2019, Ochsner has purchase commitments totaling approximately $102.2 million and $25.5 million, respectively, toward additional capital expenditures.

9. Goodwill and Intangible Assets

On August 31, 2001, Alton Ochsner Medical Foundation and Ochsner Clinic LLC effected a merger transaction resulting in the creation of OCF and the net assets of Ochsner Clinic LLC being acquired by Alton Ochsner Medical Foundation.

The costs to acquire Ochsner Clinic LLC were allocated to the assets acquired and liabilities assumed according to their estimated fair values. In addition, the carrying values of certain other assets and liabilities of Ochsner Clinic were changed to reflect management's estimate of fair value under purchase accounting.

Ochsner has also completed other acquisitions that have resulted in additional goodwill and intangible assets.

9. Goodwill and Intangible Assets (continued)

On October 1, 2020, in connection with the acquisition of OLG, Ochsner recorded $24.7 million of identified intangible assets, which is comprised of $20.3 million and $4.4 million related to trade names and licenses, respectively. The estimated useful life of the trade names is 10 years and there is an indefinite life on the licenses. There was no goodwill recorded in this transaction. See Note 3 for additional information.

Amounts recorded as goodwill and other indefinite and definite-lived intangible assets as of December 31 are as follows (in thousands):

	2020	2019
Goodwill	$ 72,411	$ 72,411
Trade name – intangible assets	$ 31,232	$ 11,433
Other – intangible assets	4,419	4
	$ 35,651	$ 11,437

10. Notes Payable

Ochsner has a loan agreement with a bank that provides a credit line with maximum borrowings of $150.0 million. The line of credit currently expires on June 2, 2021. Borrowings under the arrangement are unsecured; however, Ochsner must meet certain financial covenants. Ochsner was in compliance with these financial covenants at December 31, 2020 and 2019. As of December 31, 2020 and 2019, Ochsner had borrowings outstanding under this arrangement of approximately $98.4 million and $99.4 million, respectively. The interest rate on outstanding borrowings is based on the London Interbank Offered Rate (LIBOR) and, consequently, fluctuates from month to month. The rate on outstanding indebtedness under this arrangement was 1.75% and 2.94% at December 31, 2020 and 2019, respectively.

In association with the merger of OLG and OCF, Ochsner acquired a revolving line of credit from a lender that permits borrowing up to $50 million at an interest rate of LIBOR plus 1%. The line of credit is secured by the investment assets and is due upon demand. As of December 31, 2020, Ochsner had no outstanding borrowings under this credit line.

All amounts are classified as current at December 31, 2020 and 2019.

11. Bonds Payable

At December 31, bonds payable consisted of the following tax-exempt and taxable bonds (in thousands). The tax-exempt revenue bonds were issued by the Louisiana Public Facilities Authority (LPFA) on behalf of Ochsner. The taxable bonds were issued by Ochsner.

	2020	2019
Series 2020 tax-exempt bonds issued by the LPFA October 2020, due serially 2026–2037, then 2044–2050, annual interest rates ranging from 3.00% to 5.00%	$ 385,005	$ –
Series 2020 private placement bonds, due in 2046, annual interest rates ranging from 3.46% to 4.32%	350,000	–
Series 2017 tax-exempt bonds issued by the LPFA May 2017, due serially 2020–2037, then on term in 2042 and 2046, annual interest rates ranging from 4.00% to 5.00%	416,340	419,670
Series 2016 tax-exempt bonds issued by the LPFA May 2016, due serially 2023–2036, then on term in 2041 and 2047, annual interest rates ranging from 3.00% to 5.00%	154,060	154,060
Series 2015 tax-exempt bonds issued by the LPFA August 2015, due serially 2016–2035, then on term in 2040 and 2047, annual interest rates ranging from 2.00% to 5.00%	104,245	106,505
Series 2015 taxable bonds issued June 2015, due in 2045, annual interest rate at 5.90%	252,820	252,820
Total	1,662,470	933,055
Plus unamortized net bond premium	89,500	55,017
Less deferred financing costs	15,858	9,080
Less current portion	7,210	5,590
Non-current portion of bonds payable	$ 1,728,902	$ 973,402

11. Bonds Payable (continued)

All of the bonds included in the table above are general obligations of Ochsner. The security includes a pledge of all present and future accounts receivable of Ochsner and a mortgage of certain property.

Also, under the terms of the bond indenture, Ochsner is required to make certain deposits of principal and interest with a trustee. Such deposits are included with assets limited as to use in the consolidated financial statements. The bond indenture also places limits on the incurrence of additional borrowings by Ochsner and requires that it satisfy certain measures of financial performance as long as the bonds are outstanding. Ochsner was in compliance with these requirements at December 31, 2020 and 2019.

At December 31, 2020, scheduled repayments of principal and sinking fund installments to retire the bonds payable for the next five fiscal years are as follows (in thousands):

Years ending December 31:	
2021	$ 7,210
2022	7,580
2023	13,615
2024	15,335
2025	121,810

12. Long-Term Debt

A summary of long-term debt at December 31 is as follows (in thousands):

	2020	2019
Working capital note, due May 2026 (subject to six additional 5-year extensions), including accrued interest at rates varying from 0.23% to 1.20% during 2020 with a rate of 0.23% as of December 31, 2020	$ 9,097	$ 9,042
Note payable 4.61% Senior Secured Note, entered into March 2013, due March 2033	5,014	5,311
Note payable 5.26% Senior Secured Note, entered into December 2013, due December 2028	39,641	43,526
Promissory note entered into December 2013, due December 2020 with interest synthetically fixed at 3.97%, but was prepaid June 2020	–	8,473
Note payable 5.09% Senior Secured Note, entered into July 2014, due August 2034	62,769	65,871
Promissory note entered into October 2014, due October 2021 with interest at 3.75%, but was prepaid October 2020	–	14,667
Promissory note entered into September 2015, due September 2022 with interest synthetically fixed at 4.13%, but was prepaid October 2020	–	18,000
Promissory note entered into September 2018, due September 2023 with interest at 2.47%	27,424	27,424
Promissory note entered into October 2018, due September 2021 with interest at 5.50%, but was prepaid December 2020	–	3,770
Premium Financing Agreement entered into June 2019, due February 2020 with interest at 3.99%	3,937	3,437
Clearview land purchase, entered into October 2020, due in installments through March 2045	35,083	–
Software, equipment, and other loans, due varying dates in 2021-2030	3,925	3,336
Total long-term debt	186,890	202,857
Less deferred financing costs	1,904	2,092
Less current portion	13,129	26,881
Non-current portion of long-term debt	$ 171,857	$ 173,884

12. Long-Term Debt (continued)

St. Anne

On May 1, 2006, Ochsner entered into lease and management services agreements with Lafourche Parish Hospital Service District No. 2 (Lafourche), which owned and operated St. Anne General Hospital and related facilities (St. Anne) of Raceland, Louisiana. Under the agreements, Ochsner leases the St. Anne buildings and facilities, purchased working capital and certain equipment of St. Anne, and operates the hospital for a specified period of time. As part of the agreement, Ochsner entered into an unsecured note payable with Lafourche for the purchase of its working capital and equipment for $7.1 million. On June 1, 2015, Ochsner and Lafourche executed an amendment in which the aggregate principal and accrued interest amount of approximately $8.4 million was extended to 2026 with six 5-year renewal options, to coincide with the lease agreement. The interest rate on the working capital note, based on the 5-Year Yield Tax Exempt Insured Revenue Bond Rate published by Bloomberg, was .23% and 1.18% at December 31, 2020 and 2019, respectively. All amounts are classified as non-current at December 31, 2020 and 2019, and are included in long-term debt on the consolidated balance sheets.

March 2013 Note Payable

Pursuant to its purchase of two Medical Office Buildings on November 15, 2012, OCF entered into a loan in the principal amount of $7.0 million on March 12, 2013. The loan is secured by first mortgage liens on medical office building properties at 1850 East Gause Boulevard (North Shore Medical Office Building 1) and 105 Medical Center Drive (North Shore Medical Office Building 2), both in Slidell, Louisiana, and both in close proximity to Ochsner Medical Center – North Shore. The loan is in the form of a Senior Secured Note bearing interest at the fixed annual rate of 4.61%. Principal and interest payments are due monthly based upon a 20-year (240-month) amortization period and actual/360-day interest period.

December 2013 Note Payable

Ochsner entered into a loan in the principal amount of $63.0 million on December 30, 2013. The loan is secured by first mortgage liens on Ochsner facilities at 2005 Veterans Memorial Boulevard, Metairie, Louisiana, and 1950 Gause Boulevard, Slidell, Louisiana. The loan is in the form of a Senior Secured Note bearing interest at the fixed annual rate of 5.26%. Principal and interest payments are due monthly based upon a 15-year (180-month) amortization period and actual/360-day interest period.

12. Long-Term Debt (continued)

December 2013 Promissory Note

Ochsner entered into a loan with a financial institution (the 2013 Loan) in the principal amount of $20.8 million on December 31, 2013. The 2013 Loan is in the form of a promissory note bearing stated interest of 30-day LIBOR plus 2.00%. The security includes a pledge of all present and future accounts receivable of Ochsner and a mortgage of certain property. Principal and interest payments are due monthly based upon a 15-year (180-month) fixed principal payment amortization period with the balance of the outstanding principal due on a 7-year maturity date of December 30, 2020, and actual/360-day interest period. As part of a program to manage interest rate risk, OCF entered into an interest rate swap agreement on December 19, 2013, effective as of December 30, 2013. Ochsner pays a 1.97% fixed interest rate on the outstanding notional amount based on the outstanding principal balance of the 2013 Loan to the counterparty and receives the floating amount of 30-day LIBOR as of the date of rate-set. The effect of the swap agreement is to fix Ochsner's interest rate on the 2013 Loan at 3.97%. At December 31, 2019, the fair value of the interest rate swap agreement was an asset of $27,000 and is included within other assets in the consolidated balance sheets. At December 31, 2020, the interest swap was terminated due to the June 2020 prepayment.

July 2014 Note Payable

Ochsner entered into a loan in the principal amount of $80.0 million on July 31, 2014. The loan is secured by first mortgage liens on Ochsner facilities at 17000 Medical Center Drive, Baton Rouge, Louisiana, and 16777 Medical Center Drive, Baton Rouge, Louisiana. The loan is in the form of a Senior Secured Note bearing interest at the fixed annual rate of 5.09%. Principal and interest payments are due monthly based upon a 20-year (240-month) amortization period and actual/360-day interest period.

October 2014 Promissory Note

Ochsner entered into a loan with a financial institution (the 2014 Loan) in the principal amount of $22.0 million on October 30, 2014. The 2014 Loan is in the form of a promissory note bearing stated interest of 3.75%. The security includes a pledge of all present and future accounts receivable of Ochsner and a mortgage of certain property. Principal and interest payments are due quarterly with the first payment due on February 1, 2015, and are based upon a 15-year fixed principal payment amortization period. The balance of the outstanding principal is due on a 7-year maturity date of October 31, 2021, and actual/360-day interest period but was prepaid October 2020.

12. Long-Term Debt (continued)

September 2015 Promissory Note

Ochsner entered into a loan with a financial institution (the 2015 Loan) in the principal amount of $30.0 million on September 30, 2015. The 2015 Loan is in the form of a promissory note bearing stated interest of 3-month LIBOR plus 2.25%. The security includes a pledge of all present and future accounts receivable of Ochsner and a mortgage of certain property. Principal and interest payments are due quarterly beginning January 1, 2016, based upon a 10-year fixed quarterly principal payment amortization period, with the balance of the outstanding principal due on a 7-year maturity date of September 30, 2022, and actual/360-day interest period. As part of a program to manage interest rate risk, OCF entered into an interest rate swap agreement on September 1, 2015, effective as of September 30, 2015. Ochsner pays a 1.88% fixed interest rate on the outstanding notional amount based on the outstanding principal balance of the 2015 Loan to the counterparty and receives the floating amount of 3-month LIBOR as of the date of rate-set. The effect of the swap agreement is to fix Ochsner's interest rate on the 2015 Loan at 4.13%. The fair value of the interest rate swap agreement was an asset of $80,000 at December 31, 2019 and is included within other assets in the consolidated balance sheets. At December 31, 2020, the interest swap was terminated due to the October 2020 prepayment.

September 2018 Promissory Note

OCF entered into a promissory note with CHRISTUS Health for the principal amount of approximately $27.8 million on September 1, 2018, in connection with Ochsner's equity method investment in CHRISTUS Health Southwestern Louisiana discussed in Note 15. The CHRISTUS Health promissory note bears stated interest of 2.47% on the outstanding principal balance. The security includes a pledge of all present and future accounts receivable of OCF and a mortgage of certain property. Interest-only payments are due quarterly with the first payment due on October 1, 2018, based upon a 5-year fixed interest payment amortization period. The balance of the outstanding principal is due on a 5-year maturity date of September 1, 2023, and actual/360-day interest period.

October 2018 Promissory Note

OCF entered into a promissory note with Biomedical Research Foundation of Northwest Louisiana (BRF) for an unsecured loan with the principal amount of approximately $6.3 million on October 1, 2018, in connection with Ochsner's acquisition of EHR licenses for the management of OLHS-NL as discussed in Note 3. The BRF promissory note bears stated interest of 5.50% on

12. Long-Term Debt (continued)

the outstanding principal balance. Principal and interest payments are due monthly with the first payment due on October 31, 2018, based upon a three-year fixed interest payment amortization period. The balance of the outstanding principal is due on a 3-year maturity date of September 30, 2021, and actual/360-day interest period but was prepaid in December 2020.

At December 31, 2020, scheduled repayments of long-term debt for the next five fiscal years are as follows (in thousands):

2021	$ 13,129
2022	9,413
2023	35,977
2024	9,001
2025	9,474

13. Employee Benefit Plans

Defined Benefit Pension Plan

Certain employees of Ochsner and its subsidiaries are covered under a defined benefit pension plan (the Defined Benefit Plan). The Defined Benefit Plan is non-contributory and provides benefits that are based on the participants' credited service and average compensation during the last five years of covered employment. As of December 31, 2006, benefit accruals ceased for all plan participants under age 40 and those over age 40 who elected to freeze their retirement plan benefits. Ochsner made an additional change to the Defined Benefit Plan, and as of December 31, 2009, benefit accruals ceased for all plan participants under age 55 with less than 10 years of service (rounded to the nearest 6 months). Physician/executive participants are frozen as of December 31, 2009, regardless of age or service. Participants who were not frozen as of December 31, 2009, accrued benefits until the earlier of age 65 or December 31, 2015. No new participants are allowed to enter the Defined Benefit Plan. Ochsner makes contributions to its qualified plan that satisfy the minimum funding requirements under the Employee Retirement Income Security Act of 1974. These contributions are intended to provide not only for benefits attributed to services rendered to date but also those expected to be earned in the future.

13. Employee Benefit Plans (continued)

The following table sets forth the changes in benefit obligations, changes in plan assets, and components of net periodic benefit cost (in thousands):

	December 31 2020	December 31 2019
Change in benefit obligation:		
Benefit obligation – beginning of year	$ 600,290	$ 537,076
Interest cost	19,371	22,862
Actuarial loss	71,636	69,097
Benefits paid	(40,023)	(28,745)
Benefit obligation – end of year	651,274	600,290
Change in plan assets:		
Fair value of plan assets – beginning of year	449,520	410,737
Actual return on plan assets	35,476	55,976
Employer contributions	20,781	11,553
Benefits paid	(40,023)	(28,746)
Fair value of plan assets – end of year	465,754	449,520
Funded status	$ (185,520)	$ (150,770)

	December 31 2020	December 31 2019
Amounts recognized in the consolidated balance sheets consist of:		
Pension and postretirement obligations	$ (185,520)	$ (150,770)
Net assets without donor restrictions	N/A	N/A
Amounts recognized in net assets without donor restrictions:		
Net actuarial loss	339,014	300,340
Total amounts recognized	339,014	300,340
Other changes in plan assets and benefit obligations recognized in net assets without donor restrictions:		
Net loss	49,351	44,132
Recognized loss	(10,678)	(8,974)
Total amounts recognized	$ 38,673	$ 35,158

13. Employee Benefit Plans (continued)

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

	2020	2019
Weighted average discount rate	2.48%	3.27%
Rate of compensation increase	N/A	N/A

Net periodic pension (benefit) cost for the years ended December 31 includes the following components (in thousands):

	2020	2019
Interest cost	$ 19,370	$ 22,862
Expected return on plan assets	(31,591)	(31,013)
Amortization of net loss	10,678	8,974
Net periodic pension (benefit) cost	$ (1,543)	$ 823

Weighted average assumptions used to determine net periodic pension cost for the years ended December 31 were as follows:

	2020	2019
Weighted-average discount rate	3.27%	4.33%
Expected return on plan assets	7.20%	7.70%
Rate of compensation increase	N/A	N/A

13. Employee Benefit Plans (continued)

The fair values of the Defined Benefit Plan assets at December 31 are included in the tables below (in thousands).

	Fair Value Measurements at Reporting Date Using			
	Quoted Prices in Active Markets for Observable Identical Assets and Liabilities (Level 1)[a]	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total Estimated Fair Value**
2020				
Money market funds	$ 25,708	$ –	$ –	$ 25,708
Fixed income investments	24,995	–	–	24,995
Marketable equity securities	70,324	–	–	70,324
Total	$ 121,027	$ –	$ –	$ 121,027
2019				
Money market funds	$ 16,764	$ –	$ –	$ 16,764
Fixed income investments	14,954	–	–	14,954
Marketable equity securities	94,485	–	–	94,485
Total	$ 126,203	$ –	$ –	$ 126,203

[a] Valuation of these securities classified as Level 1 is based on unadjusted quoted prices in active markets that are readily and regularly available.

These tables do not include Level 2 or 3 alternative investments of $344.7 million and $323.3 million at December 31, 2020 and 2019, respectively, which are measured at fair value using net asset value as a practical expedient.

13. Employee Benefit Plans (continued)

The Defined Benefit Plan asset allocation as of the measurement dates (December 31, 2020 and 2019) and the target asset allocation, presented as a percentage of total plan assets, were as follows:

	2020	2020 Target Allocation	2019
Debt securities	14%	20%	12%
Equity securities	60	50	44
Private equity/venture capital	3	8	2
Hedge funds	16	20	30
Natural resources/REITs	2	2	9
Other	5	–	3

Asset allocations and investment performance are formally reviewed at regularly scheduled meetings several times during the year by the Investment Committee of Ochsner. Ochsner utilizes an investment consultant and multiple managers for different asset classes. The Investment Committee takes into account liquidity needs of the plan to pay benefits in the short term and the anticipated long-term obligations of the Defined Benefit Plan.

The primary financial objectives of the Defined Benefit Plan are to (1) provide a stream of relatively predictable, stable, and constant earnings in support of the Defined Benefit Plan's annual benefit obligations and (2) preserve and enhance the real (inflation-adjusted) value of the assets of the Defined Benefit Plan. The long-term investment objectives of the Defined Benefit Plan are to (1) attain the average annual total return assumed in the Defined Benefit Plan's most recent actuarial assumptions (net of investment management fees) over rolling five-year periods, (2) outperform the Defined Benefit Plan's custom benchmark, and (3) outperform the median return of a pool of retirement funds to be identified in conjunction with Ochsner's investment consultant.

The asset allocation is designed to provide a diversified mix of asset classes, including U.S. and foreign equity securities, fixed income securities, real estate investment trusts (REITs), natural resources, cash, and funds to hedge against deflation and inflation. Risk management practices include various criteria for each asset class, including measurement against several benchmarks, achievement of a positive risk-adjusted return, and investment guidelines for each class of assets that enumerate types of investment allowed in each category.

13. Employee Benefit Plans (continued)

The Ochsner Retirement Plan Statement of Investment Policies and Objectives provides for a range of minimum and maximum investments in each asset class to allow flexibility in achieving the expected long-term rate of return. Historical return patterns and correlations, consensus return forecast, and other relevant financial factors are analyzed to check for reasonableness and appropriateness of the asset allocation to ensure that the probability of meeting actuarial assumptions is reasonable. Ochsner Treasury staff oversees the day-to-day activities involving assets of the Defined Benefit Plan and the implementation of any changes adopted by the Investment Committee.

Ochsner currently expects to make a contribution to the Defined Benefit Plan of approximately $17.3 million in 2021.

For 2020 and 2019, Ochsner's Defined Benefit Plan had accumulated benefit obligations of approximately $651.3 million and $600.3 million, respectively.

The estimated net loss for the Defined Benefit Plan that will be amortized from accumulated net assets without donor restrictions into net periodic benefit cost over the next fiscal year is approximately $12.1 million.

Future benefit payments expected to be paid in each of the next five fiscal years and in the aggregate for the following five years as of December 31, 2020, are as follows (in thousands):

Years ending December 31:	
2021	$ 33,166
2022	34,343
2023	35,494
2024	36,406
2025	36,958
2026–2030	185,875
	$ 362,242

13. Employee Benefit Plans (continued)

Defined Contribution Plans

All employees of Ochsner meeting eligibility requirements may participate in the Ochsner Clinic Foundation 401(k) Plan (the Plan). Ochsner may annually elect to make a retirement contribution on behalf of eligible employees in an amount up to 2% of the participant's annual eligible compensation. In addition, Ochsner may annually elect to make a match for eligible employees of 50% of the first 4% the employees contribute into the Plan. At December 31, 2020 and 2019, OHS has accrued approximately $38.5 million and $34.9 million, respectively, for matching and retirement contributions to the Plan for the 2020 and 2019 fiscal years, respectively.

Certain Ochsner employees are also covered under a 457(f) plan. The 457(f) plan was created to replace 100% of the benefit target for employees under age 65 as of December 31, 2009, whose benefits in the Defined Benefit Plan were frozen. The participant pays taxes at vesting and payout occurs at the later of age 65 or retirement. Participants of the 457(f) plan also participate in the 401(k) contributions. OCF's accompanying consolidated balance sheets reflect a liability of approximately $14.9 million and $15.0 million for the 457(f) plan at December 31, 2020 and 2019, respectively.

Other Postretirement Benefits

Ochsner also provides certain health care and life insurance benefits for retired employees. Ochsner funds these benefits on a pay-as-you-go basis. The obligations under the postretirement plan are approximately $1.4 million and $1.3 million at December 31, 2020 and 2019, respectively.

14. Endowment Funds and Net Assets With Donor Restrictions

Ochsner has 1,056 donor-restricted funds established for a variety of purposes. Endowment funds are classified and reported based on donor-imposed restrictions as net assets with donor restrictions. Net assets with donor restrictions include funds dedicated to Medical Education, Nursing Education, Pastoral Care, Biomedical Research, Cancer Research, Cardiology Research, Transplant Research, and Alzheimer's Research, and other purposes.

14. Endowment Funds and Net Assets With Donor Restrictions (continued)

ASC 958-205, *Not-for-Profit Entities – Presentation of Financial Statements*, provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA), which the state of Louisiana enacted on July 1, 2010.

UPMIFA requires that Ochsner preserve the historic dollar value of the donor-restricted endowed funds. As a result of this interpretation, Ochsner classifies as net assets with donor restrictions the aggregate fair market value of (1) an endowment fund at the time it became an endowment fund, (2) each subsequent donation to the fund at the time it is made, and (3) each accumulation made pursuant to a direction in the applicable gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in the permanent endowment is available for appropriation for expenditure by Ochsner in a manner consistent with the standard for expenditure prescribed by UPMIFA. Net assets with donor restriction available for appropriations as of December 31, 2020 and 2019, total approximately $10.1 million and $9.5 million, respectively.

Restricted Net Assets as of December 31, by Purpose

	2020	2019
	(In Thousands)	
Research	$ 39,184	$ 37,977
Education	13,150	10,516
Other	88,714	72,815
Total	$ 141,048	$ 121,308

Endowment Net Asset Composition by Type of Fund as of December 31, 2020

	Without Donor Restriction	With Donor Restriction	Total
		(In Thousands)	
Donor-restricted funds	$ –	$ 49,111	$ 49,111
Board-designated funds	1,704	–	1,704
Total	$ 1,704	$ 49,111	$ 50,815

14. Endowment Funds and Net Assets With Donor Restrictions (continued)

Endowment Net Asset Composition by Type of Fund as of December 31, 2019

	Without Donor Restriction	With Donor Restriction	Total
	(In Thousands)		
Donor-restricted funds	$ –	$ 44,084	$ 44,084
Board-designated funds	1,583	–	1,583
Total	$ 1,583	$ 44,084	$ 45,667

Changes in Endowment Net Assets for the Year Ended December 31, 2020

	Without Donor Restriction	With Donor Restriction	Total
	(In Thousands)		
Beginning balance	$ 1,583	$ 44,084	$ 45,667
Investment gain	143	4,072	4,215
Contributions	–	2,337	2,337
Appropriations for expenditures	(22)	(1,382)	(1,404)
Ending balance	$ 1,704	$ 49,111	$ 50,815

Changes in Endowment Net Assets for the Year Ended December 31, 2019

	Without Donor Restriction	With Donor Restriction	Total
	(In Thousands)		
Beginning balance	$ 1,434	$ 38,377	$ 39,811
Investment gain	175	4,760	4,935
Contributions	–	1,794	1,794
Appropriations for expenditures	(26)	(847)	(873)
Ending balance	$ 1,583	$ 44,084	$ 45,667

14. Endowment Funds and Net Assets With Donor Restrictions (continued)

Funds With Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or current law requires Ochsner to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies as of December 31, 2020 or 2019.

Return Objectives and Risk Parameters

Ochsner has investment and spending practices for endowment assets that intend to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that Ochsner must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. The policy allows the endowment assets to be invested in a manner that is intended to produce results that exceed the price and yield results of the allocation index while assuming a moderate level of investment risk. Ochsner expects its endowment funds to provide a rate of return that preserves the gift and generates earnings to achieve the endowment purpose.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, Ochsner relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and interest and dividend income. Ochsner uses a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints to preserve capital.

Spending Policy and How the Investment Objectives Relate to Spending Policy

It is Ochsner's objective to establish a payout rate from endowment accounts that provides a stable, predictable level of spending for the endowed purposes that will increase with the rate of inflation, and to continue to invest in accordance with policy goals of providing for a rate of growth in the endowment earnings that meets or exceeds the rate of inflation. The annual spending appropriation will be subject to a minimum rate of 4% and a maximum rate of 7% of each endowment fund's current market value. Net assets with donor restrictions include the spending appropriation and investment income of the endowments and are pending appropriation for expenditure consistent with the specific purpose of the fund.

15. Equity Method Investments and Joint Ventures

Investment in Equity Investees

Ochsner's investment in unconsolidated affiliates at December 31 and its income from equity investees for the years then ended are as follows (in thousands):

	Ownership Interest	Investment in Equity Investees	Equity in Income (Loss) of Equity Investees
2020			
Southeast Louisiana Homecare LLC	25%	$ 4,898	$ (671)
Louisiana Extended Care Hospital of Kenner, LLC	25	–	–
OSR Louisiana, LLC	49	–	–
Ochsner-Acadia, LLC	25	6,359	438
OMC West JV, LLC	49	4,829	417
NSR Louisiana LLC	30	601	(269)
North Shore Extended Care Hospital, LLC	16	–	(131)
CHRISTUS Health Southwestern Louisiana	40	55,773	(8,184)
Lafayette General Endoscopy Center, Inc.	50	1,387	175
Acadiana Radiation Therapy, LLC	50	3,330	777
Acadian Homecare, LLC	33	508	56
LHCG XII, LLC dba Louisiana Extended Care Hospital of Lafayette	10	600	–
		$ 78,285	$ (7,392)
2019			
Southeast Louisiana Homecare LLC	25%	$ 2,444	$ (426)
Louisiana Extended Care Hospital of Kenner, LLC	25	–	–
OSR Louisiana, LLC	49	–	–
Ochsner-Acadia, LLC	25	5,920	43
OMC West JV, LLC	49	5,096	400
NSR Louisiana LLC	30	–	(933)
North Shore Extended Care Hospital, LLC	16	131	(250)
CHRISTUS Health Southwestern Louisiana	40	63,957	(1,894)
		$ 77,548	$ (3,060)

15. Equity Method Investments and Joint Ventures (continued)

Ochsner has five joint ventures with LHC Group, Inc.; Southeast Louisiana Homecare LLC, a home health care agency, Louisiana Extended Care Hospital of Kenner, LLC a 32-bed long-term acute care unit, Northshore Extended Care Hospital, 58-bed long-term acute care hospital on the Northshore, Louisiana Extended Care Hospital of Lafayette, a long-term acute extended care hospital, and Acadian Homecare, LLC, a home health care service in Lafayette. Ochsner owns a 25% interest in Southeast Louisiana Homecare, a 25% interest in Louisiana Extended Care Hospital of Kenner, a 16% interest in Northshore Extended Care Hospital, a 10% interest in Louisiana Extended Care Hospital of Lafayette, and a 33% interest in Acadian Homecare. On January 1, 2020, Southeast Louisiana Homecare LLC acquired Egan Home Health and Hospice for $12.5 million. Ochsner contributed $3.1 million in cash in relation to this acquisition to maintain a 25% ownership in Southeast Louisiana Homecare LLC. The results of these joint ventures were not material to Ochsner's consolidated financial statements in 2020 or 2019.

Ochsner has two joint ventures with Select Medical Corporation. OSR Louisiana, LLC, is a 60-bed, acute inpatient rehabilitation hospital. The joint venture commenced patient service operations at the new facility in April 2018. On August 22, 2018, Ochsner entered into a joint venture with Select Medical Corporation, St. Tammany Parish Hospital, and Slidell Memorial Hospital to own and operate an inpatient rehabilitation hospital on the Northshore, NSR Louisiana, LLC. Ochsner purchased a 30% interest and the facility opened in September 2019. The results of these joint venture were not material to Ochsner's consolidated financial statements in 2020 or 2019.

On May 17, 2016, Ochsner formed a joint venture, Ochsner-Acadia, LLC (d/b/a River Place Behavioral Health), with Acadia Healthcare (Acadia) to open and operate an 82-bed behavioral health facility in Laplace, Louisiana. Ochsner contributed the facility for a 25% interest in the joint venture and Acadia contributed the facility build-out, equipment, and working capital. The facility opened in November 2017. The results of the joint venture's operations were not material to its consolidated financial statements in 2020 or 2019.

On December 20, 2017, Ochsner entered into a joint venture with a commercial real estate company to form OMC West JV, LLC (OMC West). The focus of the new partnership is to own and provide property management for a medical building located at 2614 Jefferson Highway in Jefferson, Louisiana. The five-story, 129,875 square-foot medical building houses three separate health care components, including long-term acute care, inpatient rehabilitation, and a skilled nursing facility. Ochsner is the lessee of the building and makes minimum lease payments to OMC West for this lease totaling approximately $43.5 million at inception over 10 years. Ochsner also

15. Equity Method Investments and Joint Ventures (continued)

subleases space to its equity-method investments OSR Louisiana, LLC, and Louisiana Extended Care Hospital of Kenner, LLC, and at inception, will receive approximately $39.8 million over 10 years. These lease amounts are included in Ochsner's lessee and lessor commitments disclosed in Note 17 to the consolidated financial statements. The results of Ochsner's equity-method investment in OMC West were not material in 2020 or 2019.

In March 2018, Ochsner signed a membership interest purchase agreement with CHRISTUS Health (CHRISTUS) to acquire a 40% minority ownership interest in CHRISTUS Health Southwestern Louisiana (SWLA) in exchange for cash of $35.0 million and a promissory note of $27.8 million. SWLA owns and operates health care facilities and operations related to physician practices in Louisiana, including CHRISTUS St. Patrick Hospital, CHRISTUS Lake Area Medical Center, and various clinical facilities. CHRISTUS St. Patrick Hospital is a 50-bed hospital and CHRISTUS Lake Area Medical Center is an 88-bed, full-service acute care hospital in Lake Charles, Louisiana. This agreement was finalized September 1, 2018, once regulatory approval was received.

On October 1, 2020, in conjunction with Ochsner's Shared Mission Agreement with Lafayette General Health System, Inc., Ochsner obtained partial interest in four additional entities. Two of the entities, Louisiana Extended Care Hospital of Lafayette and Acadian Homecare, LLC, are joint ventures with LHC Group, Inc., with ownership interests as described above. Ochsner also obtained interest in Lafayette General Endoscopy Center, Inc., a company providing ambulatory surgical services in Lafayette, Louisiana, and Acadian Radiation Therapy, LLC, a medical office specializing in radiation oncology. Ochsner owns a 50% interest in Lafayette General Endoscopy Center and a 50% interest in Acadian Radiation Therapy.

On December 30, 2020, Ochsner entered into a joint venture with a development company to form SafeSource Direct, LLC. The focus of the new joint venture is to manufacture personal protective equipment.

Subsequent Event

On January 4, 2021, Ochsner formed a joint venture, Ochsner Kidney Care, LLC, with NRC Louisiana, L.L.C., to open and operate renal dialysis centers in Louisiana. Ochsner will own a 70% membership interest in the joint venture.

16. Electronic Health Records Services Agreements

In order to develop a better clinical integration and provide cost savings for its partners, Ochsner entered into EHR service and hosting agreements to implement and support a common EHR system. In previous years, Ochsner implemented its EHR system at STPH, TGMC, SMH, Acadia, Louisiana Extended Care Hospital of Kenner, LLC and Northshore Extended Care Hospital. During 2020, Ochsner implemented its EHR system at Titus Regional Medical Center. Ochsner continues to host and maintain these systems. At December 31, 2020, Ochsner is in the process of implementing two additional EHR systems for separate healthcare systems and the go lives are expected in early 2021. Other operating revenue associated with these agreements totaled \$25.9 million and \$13.7 million for the years ended December 31, 2020 and 2019, respectively.

17. Leases

Ochsner leases property and equipment under finance and operating leases. For leases with terms greater than 12 months, Ochsner records the related assets and obligations at the present value of lease payments over the term. Many of Ochsner's leases include rental escalation clauses and renewal options that are factored into the determination of lease payments, when appropriate. Ochsner elected the practical expedient to not separate lease and non-lease components of contracts. Ochsner elected the practical expedient to use the risk-free interest rate to discount the lease payments when leases do not provide a readily determinable implicit interest rate.

17. Leases (continued)

The following table presents Ochsner's lease-related assets and liabilities (in thousands):

	Balance Sheet Classification	December 31 2020	2019
Assets:			
Operating leases	Right-of-use asset from operating leases	$ 281,810	$ 229,050
Financing leases	Property – net	126,227	128,358
Total lease assets		$ 408,037	$ 357,408
Liabilities:			
Current:			
Operating leases	Operating lease current liabilities	$ 54,508	$ 40,855
Financing leases	Other current liabilities	8,288	8,908
Noncurrent:			
Operating leases	Operating lease long-term liabilities	239,586	201,025
Financing leases	Other long-term liabilities	107,598	109,485
Total lease liabilities		$ 409,980	$ 360,273
Weighted-average operating leases remaining lease term		10 years	10 years
Weighted-average finance leases remaining lease term		17 years	18 years
Weighted-average operating lease discount rate		2.4%	2.3%
Weighted average finance lease discount rate		6.2%	6.1%

The table below summarizes the components of lease cost by lease type for the years ended December 31 (in thousands):

Lease Costs

	2020	2019
Operating lease cost	$ 87,845	$ 70,140
Amortization of finance lease assets	10,117	8,661
Interest on lease liabilities	6,466	5,859

17. Leases (continued)

Maturities of Lease Liabilities

The following schedule summarizes Ochsner's future annual minimum rental commitments on outstanding leases as of December 31, 2020 (in thousands):

	Lease Obligations	
	Finance	**Operating**
2021	$ 8,304	$ 60,911
2022	12,134	52,804
2023	10,906	44,337
2024	9,994	32,719
2025	9,521	25,537
Thereafter	147,096	114,013
Total minimum lease payments	197,955	330,321
Less amounts representing interest	(82,069)	(36,227)
	115,886	294,094
Less current maturities	(8,288)	(54,508)
Lease obligations – non-current	$ 107,598	$ 239,586

Ochsner entered into an agreement in December 2020 for a new clinic location in Metairie, Louisiana. Ochsner's lease is expected to commence late in 2022 when construction of the new facility is finished, at which point Ochsner will record a right of use asset and lease liability. Ochsner will make lease payments of approximately $8.5 million annually with annual escalations, and guarantee a residual value of $104.0 million at the end of the initial 23 year lease term. During the construction period, Ochsner will receive $84.0 million from the lessor for Ochsner to manage construction of the improvements of the facility.

17. Leases (continued)

Supplemental cash flow information related to leases is as follows:

Cash paid for amounts included in the measurement of operating lease liabilities was $60.8 million and $47.7 million in operating cash outflows for operating leases for the years ended December 31, 2020 and 2019, respectively.

Right-of-use assets obtained in exchange for lease obligations were $52.8 million and $41.9 million in operating leases for the years ended December 31, 2020 and 2019, respectively.

Operating Leases – Lessor

Ochsner leases office space to other businesses. Lease terms generally range from one to four years, with options of renewal for additional periods. All such property leases provide for minimum annual rentals, and all rental revenue has been recorded on a straight-line basis. Following is a schedule by year of future minimum rental payments under non-cancelable operating leases as of December 31, 2020 (in thousands):

Years ending December 31:	
2021	$ 15,407
2022	10,125
2023	8,980
2024	7,281
2025	6,280
Thereafter	17,079
Total minimum lease payments to be received	$ 65,152

18. Functional Expenses

Ochsner provides general health care services primarily to residents within its geographic location.

	Functional Expenses as of December 31, 2020						
	Health Care Services	Medical Education	Research	Fitness Center	Hotel	General and Administrative	Total
	(In Thousands)						
Salaries, wages, and benefits	$1,640,771	$ 30,283	$ 17,908	$ 5,648	$ 1,572	$ 446,756	$2,142,938
Medical services to outside providers	170,078	–	–	–	–	–	170,078
Medical supplies and services	940,248	–	551	8	4	–	940,811
Other operating expenses	295,264	6,680	3,268	4,074	1,372	561,345	872,003
Depreciation and amortization	68,114	673	605	931	443	97,156	167,922
Interest	6,082	–	–	–	163	59,716	65,961
	$3,120,557	$ 37,636	$ 22,332	$ 10,661	$ 3,554	$ 1,164,973	$4,359,713

	Functional Expenses as of December 31, 2019						
	Health Care Services	Medical Education	Research	Fitness Center	Hotel	General and Administrative	Total
	(In Thousands)						
Salaries, wages, and benefits	$1,388,908	$ 27,820	$ 15,350	$ 7,203	$ 1,467	$ 417,448	$ 1,858,196
Medical services to outside providers	150,312	–	–	–	–	–	150,312
Medical supplies and services	770,886	46	610	7	4	–	771,553
Other operating expenses	239,041	6,833	3,009	4,764	1,715	470,649	726,011
Depreciation and amortization	55,263	691	706	731	450	86,786	144,627
Interest	3,584	–	–	–	167	52,700	56,451
	$2,607,994	$ 35,390	$ 19,675	$ 12,705	$ 3,803	$ 1,027,583	$ 3,707,150

19. Supplemental Disclosures of Cash Flow Information

	Year Ended December 31 2020	2019
	(In Thousands)	
Cash paid for interest (net of amounts capitalized)	$ 54,670	$ 52,094
Details of business acquisitions:		
Fair value of assets	$ 967,702	$ 2,335
Fair value of liabilities	(547,402)	(1,116)
Noncontrolling interest	(1,158)	–
	(419,142)	(1,219)
Total inherent contribution	418,831	–
Cash acquired in acquisition	139,050	2
Acquisition of business, net of cash acquired	$ 138,739	$ (1,217)
Supplemental non-cash investing and financing activities:		
Property purchases included in accounts payable	$ 29,076	$ 21,108
Property purchases financed by finance leases and long-term debt	$ 49,164	$ 51,957

20. Commitments and Contingencies

Professional and General Liability Insurance

Professional and general liability claims have been asserted against Ochsner by various claimants. The claims are in various stages of processing, and some may ultimately be brought to trial. Incidents occurring through December 31, 2020, may result in the assertion of additional claims.

Ochsner participates in a risk management program to provide for professional and general liability coverage.

Under this program, Ochsner carries professional and general liability insurance coverage for up to $65.0 million each of annual aggregate claims subject to certain deductible provisions. Ochsner is self-insured with respect to the first $3.0 million of each claim for professional liability with an annual aggregate exposure of $7.0 million. General liability claims are subject to a retention

20. Commitments and Contingencies (continued)

of $1.0 million per claim and $2.0 million annual aggregate. Ochsner also carries additional coverage on certain leased and managed hospitals that carry similar coverage with lower self-retention and aggregate levels.

Professional liability claims are limited by Louisiana statute to $500,000 per occurrence, the first $100,000 of which is payable by the health care provider and the remainder of which is payable by the Patient's Compensation Fund (the Fund) for participants in the Fund. The Fund was established by the Medical Malpractice Act (the Act), which was enacted in 1975 by the state of Louisiana. The Act established the Fund and limited recovery in medical malpractice cases to $500,000. The limitation on recovery has been challenged and, to date, successfully defended in the courts. Expenditures recorded by Ochsner for participation in the Fund for the years ended December 31, 2020 and 2019, were approximately $24.6 million and $20.6 million, respectively, and are included in other operating expenses in the accompanying consolidated statements of operations.

Ochsner has an established trust fund held by a financial institution. Disbursements are made from the trust fund for self-insured professional and general liability claims, claims administration costs, and legal fees. The amounts to be contributed to the trust funds are determined annually by an independent actuary. The trust fund assets for Ochsner in the aggregate totaled approximately $9.1 million and $8.3 million at December 31, 2020 and 2019, respectively. The trust fund assets are included in assets limited as to use under self-insurance trust fund in the accompanying consolidated balance sheets. The estimated liability recorded by Ochsner in the aggregate for claims, based on the actuarial report, is approximately $19.0 million with no estimated reinsurance recoveries at December 31, 2020, and $15.6 million with no estimated reinsurance recoveries at December 31, 2019. The estimated liability is included in other current liabilities and other long-term liabilities in the accompanying consolidated balance sheets. The estimated liability for Ochsner was discounted at approximately 2.5% at both December 31, 2020 and 2019. If the risk management program is terminated, the trust fund balances, if any, revert to Ochsner after satisfaction of outstanding claims. Any proceeds from such a reversion would be used to reduce future costs for liability coverage.

20. Commitments and Contingencies (continued)

Estimated Workers' Compensation and Employee Health Claims

Ochsner is self-insured for workers' compensation and employee health claims. The estimated liability for workers' compensation and employee health claims totaled approximately $35.5 million and $26.4 million at December 31, 2020 and 2019, respectively, which is included in accrued salaries, wages, and benefits; other current liabilities; and other long-term liabilities in the accompanying consolidated balance sheets.

Property Insurance

Ochsner carries property insurance coverage through third-party insurers. The policy limits are $750.0 million each and are subject to deductibles of $250,000 per occurrence for property damage and 24 hours for the time element and $1,000,000 per occurrence for property damage and 24 hours for the time element. The Named Wind sublimit is $160.0 million. The Named Wind deductible is 3% for property damage and 72 hours for the time element, subject to a minimum of $500,000 and a maximum of $50.0 million. Ochsner also carries coverage on certain community hospitals with self-retention and aggregate levels.

Contingencies

The health care industry as a whole is subject to numerous complex laws and regulations of federal, state, and local governments. Compliance with these laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. Such compliance with laws and regulations in the health care industry has come under increased government scrutiny. Ochsner and its subsidiaries are parties to various legal proceedings and potential claims arising in the ordinary course of their business. Management of Ochsner believes the reserves it has established for these issues are adequate and does not believe, based on current facts and circumstances and after review with counsel, that these matters will have a material adverse effect on its consolidated statements of financial position or results of operations.

The Tax Relief and Health Care Act of 2006 authorized a permanent program involving the use of third-party recovery audit contractors (RACs) to identify Medicare and Medicaid overpayments and underpayments made to providers. RACs are compensated based on the amount of both overpayments and underpayments they identify by reviewing claims submitted to Medicare for correct coding and medical necessity. Payment recoveries resulting from RAC reviews are

20. Commitments and Contingencies (continued)

appealable through administrative and judicial processes. Payment recoveries and denials resulting from RAC reviews can be appealed through administrative and judicial processes, and management intends to pursue the reversal of adverse determinations where appropriate. In addition to overpayments that are not reversed on appeal, Ochsner will incur additional costs to respond to requests for records and to pursue the reversal of payment denials. Ochsner expects the RACs will continue to seek CMS approval to review additional issues.

Management of Ochsner believes that the reserves it has established for RAC reviews, which are included in other long-term liabilities in the accompanying consolidated balance sheets, are adequate but cannot predict with certainty the impact of the Medicare and Medicaid RAC program on its future consolidated results of operations or cash flows.

On June 25, 2020, Louisiana Community Health Center (LCHC) entered into a $7.0 million commercial line of credit note (LOC) with Hancock Whitney Bank that Ochsner guaranteed. As of December 31, 2020, LCHC has borrowed against the LOC, however the guarantee liability was not material to Ochsner's consolidated financial statements.

21. Subsequent Events

Ochsner has evaluated subsequent events through April 22, 2021, the date the accompanying consolidated financial statements were available for issuance.

Ochsner Clinic Foundation and Subsidiaries

Schedule of Compensation Information

Year Ended December 31, 2020

Chief Executive Officer: Warner L. Thomas

None of the Chief Executive Officer's compensation is paid from public funds received by Ochsner Clinic Foundation and subsidiaries.

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Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Directors and Management
Ochsner Clinic Foundation and Subsidiaries

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Ochsner Clinic Foundation and subsidiaries (Ochsner Clinic Foundation), which comprise the consolidated balance sheet as of December 31, 2020, and the related consolidated statements of operations, changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 22, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Ochsner Clinic Foundation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ochsner Clinic Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of Ochsner Clinic Foundation'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 a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Building a better working world

Compliance and Other Matters

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

Purpose of This Report

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

Ernst + Young LLP

April 22, 2021

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

The Board of Directors and Management
Ochsner Clinic Foundation and Subsidiaries

Report on Compliance for Each Major Federal Program

We have audited Ochsner Clinic Foundation's and subsidiaries' (Ochsner Clinic Foundation) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of Ochsner Clinic Foundation's major federal programs for the year ended December 31, 2020. Ochsner Clinic Foundation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Ochsner Clinic Foundation's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Ochsner Clinic Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Ochsner Clinic Foundation's compliance.

Opinion on Each Major Federal Program

In our opinion, Ochsner Clinic Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Report on Internal Control Over Compliance

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

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

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

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

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

We have audited the financial statements of Ochsner Clinic Foundation as of and for the year ended December 31, 2020, and have issued our report thereon dated April 22, 2021, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the schedule of expenditure of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Ernst & Young LLP

September 30, 2021

Ochsner Clinic Foundation and Subsidiaries

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2020

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Research and Development Cluster	Other Federal Expenditures	Total Federal Expenditures	Amounts Provided to Subrecipients
U.S. Department of Agriculture						
Pass-Through From:						
University of Louisiana Monroe						
Delta Health Care Services Grant Program	10.874	22-037-841408836	$ 108,569	$ –	$ 108,569	$ –
Total U.S. Department of Agriculture			108,569	–	108,569	–
U.S. Department of Defense						
Pass-Through From:						
Mayo Clinic Cancer Center						
Military Medical Research and Development	12.420	W81XWH-15-1-0293	18,975	–	18,975	–
Total U.S. Department of Defense			18,975	–	18,975	–
U.S. Department of the Treasury (TREAS)						
COVID-19 Coronavirus Relief Fund	21.019		–	513,032	513,032	–
Total U.S. Department of the Treasury			–	513,032	513,032	–
Federal Communications Commission						
COVID-19 Telehealth Program	32.006		–	334,645	334,645	–
Total Federal Communications Commission			–	334,645	334,645	–
National Science Foundation						
Pass-Through From:						
Bioinfoexperts LLC						
Engineering	47.041	2027424	36,852	–	36,852	–
Total National Science Foundation			**36,852**	**–**	**36,852**	**–**
U.S. Department of Health and Human Services						
Pass-Through From:						
Mount Sinai Medical Center of Florida, Inc.						
Research and Training in Complementary and Integrative Health	93.213	4UH3AT009149-02	30,494	–	30,494	–
New York University School of Medicine						
Research and Training in Complementary and Integrative Health	93.213	1UG3AT009844-01	26,765	–	26,765	–
Total CFDA 93.213			**57,259**	**–**	**57,259**	**–**
Alcohol Research Programs	93.273	7R03AA026099-03	84,084	–	84,084	53,420
Drug Abuse and Addiction Research Programs	93.279	5R01DA045029-02 & 5R01DA045029-03	439,688	–	439,688	49,093
Pass-Through From:						
University of Pittsburgh						
Minority Health and Health Disparities Research	93.307	5R01MD009118-05	387	–	387	–
Pass-Through From:						
Duke University						
Trans-NIH Research Support	93.310	3U2COD023375-04S1	7,350	–	7,350	–
City of Hope/Beckman Research Institute						
Cancer Cause and Prevention Research	93.393	7U01CA214254-03	8,803	–	8,803	–
Total CFDA 93.393			**8,803**	**–**	**8,803**	**–**

Ochsner Clinic Foundation and Subsidiaries

Schedule of Expenditures of Federal Awards (continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Research and Development Cluster	Other Federal Expenditures	Total Federal Expenditures	Amounts Provided to Subrecipients
U.S. Department of Health and Human Services (continued)						
Cancer Treatment Research	93.395	5UG1CA189870-05 REVISED	$ 161,879	$ –	$ 161,879	$ –
Pass-Through From:						
Brigham and Women's Hospital						
Cancer Treatment Research	93.395	1U10CA180821	74,680	–	74,680	–
Children's Hospital of Philadelphia (CHOP)						
Cancer Treatment Research	93.395	1U10CA180886	28,559	–	28,559	–
Total CFDA 93.395			**265,118**	**–**	**265,118**	**–**
Pass-Through From:						
Fred Hutchinson Cancer Research Center						
Cancer Centers Support Grants	93.397	1P20CA252733-01	10,310	–	10,310	–
Pass-Through From:						
Eastern Cooperative Oncology Group						
Cancer Control	93.399	3U10CA37403	28,900	–	28,900	–
LSU Health Sciences Center						
Cancer Control	93.399	2UG1CA189854-06 & 5UG1CA189854-07	397,744	–	397,744	–
Total CFDA 93.399			**426,644**	**–**	**426,644**	**–**
COVID-19 HRSA Claims Reimbursement for Uninsured Program and the COVID-19 Coverage Assistance Fund	93.461		–	8,275,735	8,275,735	–
Pass-Through From:						
Brigham and Women's Hospital						
Cardiovascular Diseases Research	93.837	5U01HL130163-04	244	–	244	–
Duke University/Duke Clinical Research Institute						
Cardiovascular Diseases Research	93.837	5U10HL084904-12 REVISED	11,241	–	11,241	–
University of Alabama at Birmingham						
Cardiovascular Diseases Research	93.837	5U01HL120338-06	70,854	–	70,854	–
Icahn School of Medicine at Mount Sinai						
Cardiovascular Diseases Research	93.837	5U01HL088942-13	25,466	–	25,466	–
Columbia University Health Sciences						
Cardiovascular Diseases Research	93.837	5R01HL130500-04	87,410	–	87,410	–
The Administrators of Tulane Education Fund (Northwestern University at Chicago)						
Cardiovascular Diseases Research	93.837	5R01HL131771-03	199	–	199	–
Yale University						
Cardiovascular Diseases Research	93.837	7U01HL125511-02	11,055	–	11,055	–
Cleveland Clinic Lerner COM-CWRU						
Cardiovascular Diseases Research	93.837	2UM1HL088955-12	122,683	–	122,683	–

Schedule of Expenditures of Federal Awards (continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Research and Development Cluster	Other Federal Expenditures	Total Federal Expenditures	Amounts Provided to Subrecipients
U.S. Department of Health and Human Services (continued)						
Pass-Through From:						
Duke University						
Cardiovascular Diseases Research	93.837	5U01HL134679-02	$ 20,882	$ –	$ 20,882	$ –
Icahn School of Medicine at Mount Sinai						
Cardiovascular Diseases Research	93.837	2U01HL088942-13	13,456	–	13,456	–
The Administrators of Tulane Education Fund d/b/a Tulane University						
Cardiovascular Diseases Research	93.837	7R01HL070241-15	6,579	–	6,579	–
Total CFDA 93.837			**370,069**	**–**	**370,069**	**–**
Pass-Through From:						
Icahn School of Medicine At Mount Sinai d/b/a Prime Recipient Research Triangle Institute						
University of Manitoba on behalf of the University of Pittsburgh d/b/a Research Triangle Institute						
Lung Diseases Research	93.838	1OT2HL156812-01	11,570	–	11,570	–
Total CFDA 93.838			**11,570**	**–**	**11,570**	**–**
Pass-Through From:						
University of Alabama at Birmingham						
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	5U01DK115997-04	18,002	–	18,002	–
Total CFDA 93.847			**18,002**	**–**	**18,002**	**–**
Pass-Through From:						
Mayo Clinic Jacksonville						
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	5U01NS080168-07	41,965	–	41,965	–
University of Cincinnati (on behalf of Columbia University Health Sciences)						
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	5U01NS095869-02	15,943	–	15,943	–
National Coordinating Center University of Cincinnati (on behalf of University of Cincinnati Emergency Medicine)						
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	1U01NS100699-01A1	753	–	753	–
National Coordinating Center University of Cincinnati (on behalf of The Regents of the University of Michigan)						
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	1U01NS099043-01A1	10,158	–	10,158	–
National Coordinating Center University of Cincinnati (on behalf of Prime Recipient Yale University)						
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	1U01NS106513-01A1	7,181	–	7,181	–
National Coordinating Center University of Cincinnati (on behalf of Prime Recipient Beth Israel Deaconess Medical Center, Inc.)						
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	1U01NS110728-01	1,226	–	1,226	–
National Coordinating Center University of Cincinnati (on behalf of Prime Recipient Stanford University)						
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	1U01NS102289-01A1	3,481	–	3,481	–
Total CFDA 93.853			**80,707**	**–**	**80,707**	**–**

Ochsner Clinic Foundation and Subsidiaries

Schedule of Expenditures of Federal Awards (continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Research and Development Cluster	Other Federal Expenditures	Total Federal Expenditures	Amounts Provided to Subrecipients
U.S. Department of Health and Human Services (continued)						
Pass-Through From:						
Duke University/Duke Clinical Research Institute						
Allergy and Infectious Diseases Research	93.855	2UM1AI104681-08	$ 58	$ –	$ 58	$ –
John Hopkins University						
Allergy and Infectious Diseases Research	93.855	5U01AI134591-03 & 5U01AI138897-04	23,140	–	23,140	–
The University of North Carolina at Chapel Hill						
Allergy and Infectious Diseases Research	93.855	1R01AI143910-02	3,300	–	3,300	–
Total CFDA 93.855			**26,498**	**–**	**26,498**	**–**
Pass-Through From:						
The University of North Carolina At Chapel Hill						
Child Health and Human Development Extramural Research	93.865	5R01HD086139-04	18,341	–	18,341	–
Trustees of Indiana University						
Child Health and Human Development Extramural Research	93.865	7R01HD086007-04	3,743	–	3,743	–
The Board of Trustees of the University of Alabama for the University of Alabama at Birmingham on behalf of the Prime Recipient George Washington University						
Child Health and Human Development Extramural Research	93.865	4U10HD036801-21 & 4U01HD036801-22	147,525	–	147,525	–
The University of Alabama for the University of Alabama at Birmingham						
Child Health and Human Development Extramural Research	93.865	1R01HD098132-01A1 & R01HD102962-01	18,137	–	18,137	–
Total CFDA 93.865			**187,746**	**–**	**187,746**	**–**
Pass-Through From:						
Duke University						
Aging Research	93.866	1U19AG065188-01	22,383	–	22,383	–
Pass-Through From:						
Louisiana Hospital Association's Research & Education Foundation (LHAREF)						
National Bioterrorism Hospital Preparedness Program	93.889		–	79,254	79,254	–
Pass-Through From:						
Mississippi Hospital Association Health, Research & Educational Foundaton, Inc. (MHA-F)						
National Bioterrorism Hospital Preparedness Program	93.889		–	10,081	10,081	–
Total CFDA 93.889			**–**	**89,335**	**89,335**	**–**
Pass-Through From:						
The Board of Supervisors of Louisiana State University & A&M College						
PPHF Geriatric Education Centers	93.969	U1QHP33071	297,285	–	297,285	–
Total U.S. Department of Health and Human Services			**2,313,903**	**8,365,070**	**10,678,973**	**102,513**
U.S. Department of Homeland Security						
Pass-Through From:						
State of Louisiana Governor's Office of Homeland Security & Emergency Preparedness						
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	1786-5288	$ –	$ 96,241,623	$ 96,241,623	$ –
Total U.S. Department of Homeland Security			**–**	**96,241,623**	**96,241,623**	**–**
Total Expenditures of Federal Awards			**$ 2,478,299**	**$ 105,454,370**	**$ 107,932,669**	**$ 102,513**

See accompanying notes to schedule of expenditures of federal awards.

Notes to Schedule of Expenditures of Federal Awards

Year Ended December 31, 2020

1. General

The schedule of expenditures of federal awards (SEFA) includes the federal award activity of Ochsner Clinic Foundation and subsidiaries (Ochsner Clinic Foundation) under programs of the federal government for the year ended December 31, 2020. The information in the SEFA is presented in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

2. Basis of Accounting

Expenditures reported on the SEFA are reported on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Expenditures are recognized following the cost principles contained in the Uniform Guidance or OMB Circular A-122, *Cost Principles for Non-Profit Organizations*. Therefore, some amounts presented in the SEFA may differ from amounts presented in, or used in the preparation of, the consolidated financial statements.

3. Indirect Cost Rate

Ochsner Clinic Foundation did not use the 10% de minimis indirect cost rate allowed by the Uniform Guidance.

4. Donated Personal Protective Equipment (Unaudited)

Ochsner Clinic Foundation received $201,626 of donated personal protective equipment (PPE) purchased with federal assistance funds for the year ended December 31, 2020. PPE is valued based on fair market value at the time of receipt.

Ochsner Clinic Foundation and Subsidiaries

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2020

Section I—Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	**Unmodified**			
Internal control over financial reporting:				
Material weakness(es) identified?	______	**yes**	X	**no**
Significant deficiency(ies) identified?	______	**yes**	X	**none reported**
Noncompliance material to financial statements noted?	______	**yes**	X	**no**

Federal Awards

Internal control over major federal programs:				
Material weakness(es) identified?	______	**yes**	X	**no**
Significant deficiency(ies) identified?	______	**yes**	X	**none reported**
Type of auditor's report issued on compliance for major federal programs:	**Unmodified**			
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	______	**yes**	X	**no**

Section I—Summary of Auditor's Results (continued)

Identification of major federal programs:

Assistance Listing numbers	Name of federal program or cluster
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters) FEMA
93.461	HRSA COVID-19 Claims Reimbursement for the Uninsured Program and the COVID-19 Coverage Assistance Fund

Dollar threshold used to distinguish between Type A and Type B programs: $ 3,000,000

Auditee qualified as low-risk auditee? X **yes** _______ **no**

Section II—Financial Statement Findings

There were no financial statement findings.

Section III—Federal Award Findings and Questioned Costs

There were no federal award findings or questioned costs.

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