LOUISIANA CHILDREN'S MEDICAL CENTER

Consolidated Financial Statements as of and for the
Years Ended December 31, 2020 and 2019,
and Independent Auditors Report

LAPORTE
CPAs & BUSINESS ADVISORS

Contents

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Independent Auditor's Report

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

Report on the Consolidated Financial Statements
We have audited the accompanying consolidated financial statements of Louisiana Children's Medical Center (the System) which comprise the consolidated balance sheets as of December 31, 2020 and 2019, the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from 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 System'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 System as of December 31, 2020 and 2019, and the results of its operations, changes in net assets and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information
The supplemental consolidating balance sheets, statements of operations, and statements of changes in net assets as of and for the years ended December 31, 2020 and 2019 are presented for the purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards,* we have also issued our report dated May 14, 2021, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

LaPorte

A Professional Accounting Corporation

Metairie, LA
May 14, 2021

LOUISIANA CHILDREN'S MEDICAL CENTER
Consolidated Balance Sheets
December 31, 2020 and 2019 (in Thousands)

	2020	2019
Assets		
Current Assets		
Cash and Cash Equivalents	$ 307,469	$ 122,753
Assets Limited as to Use	999	977
Patient Accounts Receivable	219,596	193,443
Pledges Receivable, Net of Discount	1,199	714
Other Receivables	46,110	54,180
Supplemental Payments Receivable	116,040	129,121
Inventories	45,946	28,226
Estimated Third-Party Payor Settlements	13,191	8,391
Prepaid Expenses	57,440	59,419
Total Current Assets	807,990	597,224
Assets Limited as to Use		
Investments Designated for Capital Projects and Specific Programs	1,300,193	1,016,507
Cash Restricted by Bond Indenture, Debt Service Reserve	8,086	3,317
Donor-Restricted Long-Term Investments	13,800	12,346
Restricted Other	189	136
Less: Amount Required for Current Obligations	(999)	(977)
Assets Limited as to Use, Net	1,321,269	1,031,329
Pledges Receivable, Net of Discount	1,275	2,135
Investments in Joint Ventures	46,868	57,186
Long-Term Portion of Prepaid Leases	388,164	402,400
Property, Plant, and Equipment, Net	916,308	647,654
Finance Lease Assets	12,268	-
Other Assets	80,619	87,667
Total Assets	$ 3,574,761	$ 2,825,595

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

LOUISIANA CHILDREN'S MEDICAL CENTER
Consolidated Balance Sheets
December 31, 2020 and 2019 (in Thousands)

		2020		2019
Liabilities and Net Assets				
Current Liabilities				
Trade Accounts Payable	$	197,271	$	189,443
Accrued Salaries and Benefits		86,132		52,034
Current Portion of Medicare Advance Payments		46,394		-
Current Maturities of Bonds Payable, Net of Deferred Financing Costs		4,610		3,350
Current Portion of Estimated Employee Health and Workers' Compensation Claims		8,994		7,102
Current Portion of Estimated Professional Liabilities Claims		9,544		3,528
Current Portion of Contingent Performance Obligation		5,000		-
Estimated Third-Party Payor Settlements		114,924		76,986
Deferred Revenue - Provider Relief Funds		52,100		-
Deferred Revenue		729		-
Deferred Revenue - Supplemental Payments		4,755		-
Line of Credit		-		100,000
Current Finance Lease Liabilities		646		-
Other Current Liabilities		39,138		20,669
Total Current Liabilities		570,237		453,112
Medicare Advance Payments, Net of Current Portion		92,313		-
Bonds Payable, Net of Current Portion		566,854		372,396
Notes Payable		273,907		252,488
Estimated Employee Health and Workers' Compensation Claims, Net of Current Portion		7,427		6,781
Estimated Professional Liabilities Claims, Net of Current Portion		15,838		20,014
Employee Benefits		5,417		9,554
Pension Liability		9,210		10,723
Finance Lease Liabilities		11,944		-
Other Long-Term Liabilities		77,109		45,420
Total Liabilities		1,630,256		1,170,488
Noncontrolling Interest		590		640
Net Assets				
Without Donor Restrictions		1,930,544		1,642,452
With Donor Restrictions				
Purpose Restrictions		7,373		6,023
Perpetual in Nature		5,998		5,992
Total Net Assets		1,943,915		1,654,467
Total Liabilities and Net Assets	$	3,574,761	$	2,825,595

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

LOUISIANA CHILDREN'S MEDICAL CENTER
Consolidated Statements of Operations
For the Years Ended December 31, 2020 and 2019 (in Thousands)

	2020	2019
Revenues, Gains, and Other Support Without Donor Restrictions		
Net Patient Service Revenues	$ 1,680,899	$ 1,620,449
Other Operating Revenues	315,104	140,841
Net Assets Released from Restrictions	369	-
Total Operating Revenues	1,996,372	1,761,290
Operating Expenses		
Employee Compensation and Benefits	774,906	679,643
Purchased Services	249,959	214,316
Professional Fees	281,571	256,925
Supplies and Other Expenses	477,571	453,667
Depreciation and Amortization	88,830	74,991
Interest Expense, Net	16,466	20,875
Total Operating Expenses	1,889,303	1,700,417
Income from Operations	107,069	60,873
Investment Income	134,239	158,206
Inherent Contribution	74,892	-
Other Nonoperating (Expense) Income	(4,376)	142
Community Support, Net	(24,607)	(22,771)
Excess of Revenues over Expenses	$ 287,217	$ 196,450

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

LOUISIANA CHILDREN'S MEDICAL CENTER
Consolidated Statements of Changes in Net Assets
For the Years Ended December 31, 2020 and 2019 (in Thousands)

	2020	2019
Changes in Net Assets Without Donor Restrictions		
Excess of Revenues over Expenses	**$ 287,217**	$ 196,450
Excess of Revenues over Expenses Attributable to Noncontrolling Interests	**(138)**	(90)
Adjustment to Additional Minimum Pension Liability	**(1,168)**	(939)
Contribution of Right of Use Designated Equipment	**2,184**	2,800
Increase in Net Assets Without Donor Restrictions	**288,095**	198,221
Changes in Net Assets With Donor Restrictions		
Contributions and Grants	**2,098**	1,578
Investment Income	**1,071**	1,521
Net Assets Released from Restrictions	**(1,816)**	(2,313)
Increase in Net Assets With Donor Restrictions	**1,353**	786
Increase in Net Assets	**289,448**	199,007
Net Assets, Beginning of Year	**1,654,467**	1,455,460
Net Assets, End of Year	**$ 1,943,915**	$ 1,654,467

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

LOUISIANA CHILDREN'S MEDICAL CENTER
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019 (in Thousands)

	2020	2019
Cash Flows from Operating Activities		
Increase in Net Assets	**$ 289,448**	$ 199,007
Adjustments to Reconcile Increase in Net Assets		
to Net Cash Provided by Operating Activities		
Adjustment to Pension Liability	**1,168**	939
Noncontrolling Interest in Income of Consolidated		
Subsidiaries	**138**	90
Depreciation and Amortization	**88,830**	74,991
Depreciation Related to Community Support	**842**	810
Amortization of Debt Issuance Costs Included in Interest Expense	**(568)**	(670)
Contribution of Capital Assets	**(2,184)**	-
Equity in Earnings of Investments in Joint Ventures	**(12,008)**	(7,409)
Net Realized and Unrealized Investment Income	**(136,500)**	(159,729)
Inherent Contributions from Business Combinations	**(74,892)**	-
Payments on Finance Lease Liabilities	**612**	-
(Increase) Decrease in:		
Patient Accounts Receivable	**4,841**	16,652
Other Receivables and Supplemental Payments Receivable	**32,848**	(69,856)
Inventories	**(8,864)**	1,133
Prepaid Expenses	**5,394**	(3,431)
Other Assets	**6,687**	(41,178)
Increase (Decrease) in:		
Trade Accounts Payable	**3,513**	19,792
Accrued Salaries and Benefits	**29,784**	6,143
Third-Party Payor Settlements	**141,012**	(12,357)
Deferred Revenue	**56,878**	(53)
Other Liabilities	**24,379**	52,842
Net Cash Provided by Operating Activities	**451,358**	77,716
Cash Flows from Investing Activities		
Investment in Joint Venture	**-**	(2,225)
Distributions of Earnings of Investments in Joint Ventures	**12,008**	7,713
Capital Expenditures	**(192,470)**	(172,697)
Acquisitions of Businesses, Net of Cash Acquired	**(59,993)**	-
Purchases of Investments	**(636,492)**	(5,299)
Proceeds from Sales of Investments	**483,083**	115,522
Net Cash Used in Investing Activities	**(393,864)**	(56,986)

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

LOUISIANA CHILDREN'S MEDICAL CENTER
Consolidated Statements of Cash Flows (Continued)
For the Years Ended December 31, 2020 and 2019 (in Thousands)

	2020	2019
Cash Flows from Financing Activities		
Proceeds from Issuance of Bonds	**198,130**	-
Premium received from Issuance of Bonds	**6,105**	-
Proceeds from Note Payable	**21,299**	-
Repayment of Line of Credit, Net	**(100,000)**	-
Repayments of Bonds Payable	**(3,350)**	-
Payments on Finance Lease Liabilities	**(612)**	-
Return of Capital from Investment in Subsidiary	**10,318**	-
Payments of Debt Issuance Costs	**(4,479)**	(2,786)
Distributions Paid to Noncontrolling Interest	**(188)**	(27)
Net Cash Provided by (Used in) Financing Activities	**127,223**	(2,813)
Net Increase in Cash and Cash Equivalents	**184,716**	17,917
Cash and Cash Equivalents, Beginning of Year	**122,753**	104,836
Cash and Cash Equivalents, End of Year	**$ 307,469**	$ 122,753
Supplemental Disclosures of Cash Flow Information		
Cash Paid for Interest	**$ 34,547**	$ 35,536
Non-Cash Disclosures:		
Property, Plant, and Equipment Purchases in Accounts Payable	**$ 9,978**	$ 19,893

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

Note 1. Organization

Louisiana Children's Medical Center (LCMC Health) is a Louisiana non-stock, not-for-profit corporation that was incorporated in 2009, with its founding member being Children's Hospital (Children's). Through a Health Care System Agreement between LCMC Health, Children's and its subsidiaries, Touro Infirmary and its subsidiaries (Touro), and Cooperative Endeavor Agreements (CEAs) with University Medical Center Management Corporation (UMCMC) and West Jefferson Holdings, LLC and its subsidiary (West Jefferson) and the John J. Hainkel, Jr. Home and Rehabilitation Center, these parties have determined that together they can provide a continuum of care to the families of the Gulf South region. To further this mission, LCMC Health offers care through its formation of LCMC Health Holdings, Inc. which is doing business as East Jefferson General Hospital (EJGH), LCMC Health Anesthesia Corporation (LHAC), LCMC Health Clinical Services (LHCS), and New Orleans Clinical Services (NOCS). All are hereinafter collectively referred to as the System. LCMC Health functions as the System parent with reserve powers to be exercised to promote the best interests of the System and its affiliates. All corporate powers of the System are vested in the Board of Trustees of LCMC Health.

Children's is Louisiana's only full-service hospital operated exclusively for children. Children's, together with its affiliate, the Children's Hospital Medical Practice Corporation (CHMPC), are tax-exempt under Section 501(c)(3) of the Internal Revenue Code (the Code). Located in New Orleans, Louisiana, Children's includes a 224-bed medical center providing care for infants, children, and adolescents from birth to 21 years of age. It provides inpatient services in all pediatric, medical, surgical, and psychiatric subspecialties with a staff of more than 440 physicians. Outpatient services are provided in 58 subspecialties.

Children's provides a large array of community benefit and wellness programs including research activities, and special programs for the handicapped and medically underserved. CHMPC was incorporated to manage pediatric physician practices in a high-quality, cost-effective manner. Kids First, a division of CHMPC, provides pediatric care in medically underserved geographical areas.

Touro Infirmary, and its 299 staffed beds, is New Orleans' only community-based, not-for-profit, faith-based hospital. It is exempt from taxation under the Code. Touro Infirmary is the sole member of Woldenberg Village, Inc. (Woldenberg), and Touro Infirmary Foundation, both of which are non-stock, not-for-profit, and tax-exempt corporations. Touro Infirmary is the sole stockholder of Crescent City Physicians, Inc. (CCPI), a for-profit corporation; and holds a majority interest, together with Woldenberg, in TIJV, LLC, a for-profit limited liability company.

Note 1. Organization (Continued)

University Medical Center Management Corporation operates as a corporation affiliated with Louisiana State University (LSU) as defined in Louisiana Revised Statute (R.S.) 17:3390, with a principal purpose of supporting the programs, facilities and research and educational opportunities offered by LSU, and supporting research and educational opportunities, including, without limitation, medical training programs offered by the Administrators of the Tulane Educational Fund (Tulane), including, without limitation, the following: (i) operating University Medical Center in New Orleans (UMC); (ii) operating in a manner consistent with the best practices of private, nonprofit institutions; (iii) being a provider of financial assistance for the uninsured and playing a pivotal role as a statewide referral center for patients in need of tertiary care; (iv) providing medical and allied health training; and, (v) being recognized nationally as a leader in research, training, and excellence in transparent clinical and financial outcomes.

University Medical Center Management Corporation, with its vision of being an integrated, world class academic medical center acknowledges that LCMC Health has the resources and expertise necessary to achieve its vision. LCMC Health is the sole corporate member of UMCMC. On May 29, 2013, UMCMC and LCMC Health, entered into an Amended and Restated CEA (UMC CEA) with the Board of Supervisors of LSU, the Louisiana Division of Administration, the State of Louisiana (the State), through its Division of Administration. The objective of the UMC CEA is to maintain the viability of operations and patient care services and programs at UMC, thereby stabilizing and preserving academic medicine in Louisiana.

The UMC CEA was entered into for the public purpose of creating an academic medical center in which the parties continuously work in collaboration and are committed and aligned in their actions and activities, in a manner consistent with a sustainable business model and adequate funding levels, to serve the State and its citizens: (i) as a premier site for graduate medical education, capable of competing in the health care marketplace, comparable among its peers, with the goal of attracting the best faculty, residents and students, to enrich the State's health care workforce and their training experience; (ii) in fulfilling the State's historical mission of assuring access to safety net services to all citizens of the State, including its medically indigent, high risk Medicaid and State inmate populations, and (iii) by focusing on and supporting the core services and key service lines, as defined and agreed by the parties, necessary to assure high quality programs and access to safety net services.

The UMC CEA also provides that UMCMC will enter into academic affiliation agreements with LSU, Tulane, Xavier University, Dillard University, University of New Orleans, Delgado Community College, and other academic institutions to strengthen and enhance opportunities to achieve the State's medical education, clinical care and research goals as part of a collaborative academic medical center (the AMC). UMCMC and LCMC Health commit to supporting the academic, clinical and research missions of the AMC.

Note 1. Organization (Continued)

The UMC CEA further provides that LSU will lease UMC and certain furniture, fixtures, and equipment used in connection with operating UMC to UMCMC, that LSU and the State will grant to UMCMC a right of use of the land upon which UMC is constructed and operated and certain land improvements surrounding UMC pursuant to a Right of Use agreement, and that UMCMC and LCMC Health will commit to supporting the academic, clinical and research missions of the AMC, as defined within the UMC CEA.

As prescribed in the UMC CEA, LCMC Health may withdraw as the sole member of UMCMC, without cause, upon providing sixty days advance written notice. For additional details of this UMC CEA see Note 19.

In November 2014, West Jefferson was formed pursuant to an operating agreement with LCMC Health being the sole member, having exclusive authority to direct, manage, control, and make all decisions regarding the business and affairs of West Jefferson to act in conjunction with the purposes of LCMC Health. West Jefferson operates a 419-bed hospital located in Marrero, Louisiana providing general acute care along with clinical and other health care operations at various other locations in the New Orleans metropolitan area.

West Jefferson operates via assets leased to it by Jefferson Parish Hospital District No. 1, Parish of Jefferson, State of Louisiana, d/b/a West Jefferson Medical Center (the District) under the terms of a CEA (WJ CEA) and a Master Hospital Lease. The WJ CEA was entered into on February 26, 2015, by and among LCMC Health, West Jefferson, and the District in order to maintain the viability of operations and range of patient care services and programs previously provided by the District. West Jefferson began operating the assets leased to it by the District effective October 1, 2015. The terms and conditions of the WJ CEA and the Master Hospital Lease are further described in Note 19.

On September 18, 2016, West Jefferson became the sole member of New Orleans Physician Services, Inc. (NOPS). NOPS is organized and operated exclusively for charitable, educational, and scientific purposes, and for the delivery of healthcare services, including free healthcare services to indigent persons, in Jefferson Parish.

Prior to February 6, 2017, Children's was the sole member of its affiliate, Children's Hospital Anesthesia Corporation (CHAC), a tax-exempt corporation. CHAC was incorporated to provide high quality, comprehensive anesthesia services. Effective February 6, 2017, LCMC Health and Children's executed a member Substitution agreement whereby LCMC Health became the sole member of CHAC. This was a common control transaction and had no impact on the assets and liabilities of CHAC. The purpose of the member substitution was to allow CHAC to become the primary provider of anesthesia services to the hospitals within the System. After the member substitution, CHAC's name was changed to the LCMC Health Anesthesia Corporation (LHAC).

Note 1. Organization (Continued)

On November 20, 2017, LCMC Health Clinical Services, LLC, (LHCS) was formed by LCMC Health as its sole member. LHCS had no activities from its inception through December 31, 2017. LHCS activities began January 1, 2018. The revenues generated at LHCS from unconsolidated affiliates do not support the costs of its operations, and the System records the activities of LHCS in community support, net in the consolidated statements of operations.

On June 18, 2019, Audubon Retirement Village (ARV) was formed by LCMC Health as its sole member.

Effective June 28, 2019, LSU and ARV executed a Cooperative Endeavor Agreement (CEA) whereby ARV will operate the John J. Hainkel Jr. Home and Rehabilitation Center (Nursing Home) with the public purpose of establishing a Geriatric Training Nursing Facility (GTNF Program) where much needed graduate medical education will be conducted to train physicians and allied health professionals in the provision of care to the elderly and needy residents of Louisiana.

Recognizing the importance of the GTNF Program, ARV and LSU will enter into academic affiliation and/or professional service agreements, as necessary, to collaborate in establishing the GTNF Program.

ARV began operations with the execution of a lease agreement of the Nursing Home on June 28, 2019, that is more fully described in Note 19.

On October 15, 2019, articles of incorporation for Louisiana Health Holdings, Inc. were filed with the Louisiana Secretary of State. The principal purpose of LCMC Health Holdings, Inc. is the provision of health care services as a member of the System, with LCMC Health being its sole member. LCMC Health Holdings began providing health care services effective October 1, 2020, after effecting an asset purchase agreement with the Jefferson Parish Hospital Service District No. 2, Parish of Jefferson, State of Louisiana for the purchase of EJGH and certain of its affiliates. Further details and terms of this purchase are further provided in Note 19.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements of the System include the activities of LCMC Health, Children's, Touro, EJGH, UMCMC, West Jefferson, LHAC, LHCS, NOCS, and ARV. All significant intercompany transactions have been eliminated in consolidation.

Note 2. Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

The System also provides management services to New Orleans East Hospital (NOEH) as further described in Note 19. However, the activities of NOEH are not consolidated with the System because NOEH is controlled by another party.

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

Use of Estimates

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

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

Cash and Cash Equivalents

Cash and cash equivalents include certain investments in highly liquid debt instruments with a remaining maturity of three months or less when purchased, excluding assets whose use is limited or restricted. Cash and cash equivalents held in investment trading accounts are classified as investments.

Inventories

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

Assets Limited As to Use

Assets whose use is limited primarily include assets held by trustees indenture agreements, investments with donor restrictions, and designated assets set aside by the Board of Trustees (the Board) for future capital improvements and commitments, over which the Board retains control and may, at its discretion, subsequently use for other purposes.

Note 2. Summary of Significant Accounting Policies (Continued)

Assets Limited as to Use (Continued)

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

The investments in marketable alternative investments are valued by management at their equity in the net assets of the investment, which approximates fair value, utilizing the net asset valuation provided by the underlying investment companies, unless management determines some other valuation is more appropriate. Such fair value estimates do not reflect early redemption penalties or redemption restrictions as the System does not intend to sell such investments before the expiration of the early redemption periods.

Leases

Accounting Standards Update (ASU) 2016-02 was issued to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The adoption of ASU 2016-02 was accomplished using a modified retrospective method of application, with accounting policies related to leases revised accordingly, effective January 1, 2019, as discussed below.

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

The System's operating leases are primarily for real estate, including off-campus outpatient facilities, medical office buildings, and corporate and other administrative offices. The System's real estate lease agreements typically have initial terms of 4 to 30 years. In line with this ASU, the System does not record right-of-use assets and lease liabilities on leases with an initial term of 12 months, or less, in the consolidated balance sheets.

The System's real estate leases may include one or more options to renew, with renewals extending the lease term for multiple years. The exercise of lease renewal options is at the System's sole discretion. In general, the System does not consider it reasonably likely that renewal options will be exercised; therefore, renewal options are generally not recognized as part of right-of-use assets and lease liabilities.

Note 2. Summary of Significant Accounting Policies (Continued)

Leases (Continued)

Certain of the System's lease agreements for real estate include rental payments adjusted periodically for inflation. These variable lease payments are recognized in supplies and other expenses, but are not included in the right-of-use asset or liability balances. The System's lease agreements do not contain any material residual value guarantees, restrictions, or covenants.

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

Property, Plant, and Equipment

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

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

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

Impairment of Long-Lived Assets

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

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

Prepaid Expenses and Other Assets

In accordance with the UMC CEA mentioned in Notes 1 and 19, advance rent payments, in the amount of $253,000,000, were made on the UMC lease. Of this total, $110,000,000 represents a prepayment of a portion of the UMC facility, with the exception of its ambulatory care center and its garage, while $143,000,000 represents all future rent payments for the ambulatory care building and garage.

Note 2. Summary of Significant Accounting Policies (Continued)

Prepaid Expenses and Other Assets (Continued)

Due to the notes payable, described in Note 11, being directly related to funding the advance rent payments, UMCMC deferred the recognition of interest payments made through August 1, 2015, which is when operations transitioned to the new facility. As described in Note 19, these advance payments and the deferred interest are being applied to the annual rental requirements of UMC over the lease terms.

As of December 31, 2020 and 2019, the amounts classified as current were approximately $10,050,000 and are included within prepaid expenses on the consolidated balance sheets. As of December 31, 2020 and 2019, the amounts classified as non-current were approximately $215,683,000 and $225,733,000, respectively.

In accordance with the WJ CEA and the Master Hospital Lease, related to West Jefferson, mentioned in Notes 1 and 19, an advance rent payment in the amount of $200,000,000 was made on September 30, 2015. This advance payment is being applied to the annual rent requirements of West Jefferson over the lease terms.

As of December 31, 2020 and 2019, the amounts classified as current were approximately $4,444,000 and are included within prepaid expenses on the consolidated balance sheets. As of December 31, 2020 and 2019, the amounts classified as non-current were approximately $172,222,000 and $176,667,000, respectively.

Deferred Financing Costs and Original Issue Premium

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

Deferred financing costs are presented net of accumulated amortization. Net deferred financing costs total approximately $7,067,000 and $2,871,000 at December 31, 2020 and 2019, respectively.

Original issue premiums are presented net of accumulated amortization. Net original issue premiums total approximately $24,291,000 and $19,176,000 at December 31, 2020 and 2019, respectively.

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

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

Note 2. Summary of Significant Accounting Policies (Continued)

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

The System follows ASU 2010-24, *Health Care Entities (Topic 954): Presentation of Insurance Claims and Related Insurance Recoveries*, which clarifies that a health care entity should not net insurance recoveries against a related claim liability.

Pension and Other Postretirement Plans

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

Deferred Revenue

When the System receives payments for providing services in advance of it providing those services, recognition of revenue is deferred until the period in which the services are provided, and all obligations of the System are relieved.

Fair Value of Financial Instruments

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

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

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

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

Note 2. Summary of Significant Accounting Policies (Continued)

Derivatives and Financial Instruments

The System uses interest rate swap and basis swap agreements to manage interest costs and the risk associated with changing interest rates. The fair value of these instruments is recorded in other receivables or other current liabilities on an instrument by instrument basis depending on the current value in the consolidated balance sheets. While the System's primary objective for the use of these instruments is to manage its cash flow requirements, unrealized gains and losses in the fair value of such instruments are reflected in investment income or loss in the consolidated statements of operations in accordance with the *Accounting for Derivative Instruments and Hedging Activities* Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC).

Patient Service Revenue

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

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

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

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

Note 2. Summary of Significant Accounting Policies (Continued)

Patient Service Revenue (Continued)

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

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

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

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

Note 2. Summary of Significant Accounting Policies (Continued)

Patient Service Revenue (Continued)

Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change when new information is available. This includes provisions for third-party payor settlements and supplemental payments. Adjustments arising from a change in the transaction price were not significant in 2020 or 2019.

Settlements with third-party payors for retroactive adjustments due to review and audits are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care in the period the related services are provided using the most likely outcome method. The System records retroactive Medicare and Medicaid settlements based upon estimates of amounts that are ultimately determined through annual cost reports filed with and audited by the fiscal intermediary, correspondence from the payor and the System's historical settlement activity, including an assessment to ensure that it is probable that a significant revenue reversal in the amount of the cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known or as years are settled or are no longer subject to such reviews and audits. Adjustments arising from a change in estimated settlements increased patient service revenue by approximately $9,233,000 and $28,212,000 in 2020 and 2019, respectively.

Grants, Contributions, and Gifts With Donor Restrictions

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

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

Note 2. Summary of Significant Accounting Policies (Continued)

Grants, Contributions, and Gifts With Donor Restrictions (Continued)

Certain net assets with donor restrictions have been restricted by donors to be maintained by the System in perpetuity.

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

Operating and Nonoperating Activities

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

Excess of Revenues over Expenses

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

Financial Assistance Program

The System provides medical care without charge or at reduced costs to residents of its community through the provision of financial assistance. The System follows ASU 2010-23, *Health Care Entities (Topic 954)*, which requires that costs be used as the measurement basis of financial assistance disclosures and that costs be identified as the direct and indirect costs of providing the financial assistance. The entities within the System each have their own unique policy for determining costs. They either: (1) assign direct costs of their financial assistance program and complement those direct costs with estimates determined from Medicare and Medicaid cost reporting methodologies, or (2) calculate a ratio of costs to usual and customary charges and apply that ratio to the usual and customary uncompensated charges associated with providing care to patients that qualify for financial assistance. The System also follows the new regulation under Section 501(r) as established by the Affordable Care Act, which requires policies for financial assistance, emergency medical care, and billing and collections.

During the years ended December 31, 2020 and 2019, estimated costs associated with providing financial assistance, throughout the System, were approximately $56,394,000 and $48,206,000, respectively.

Note 2. Summary of Significant Accounting Policies (Continued)

Coronavirus Aid, Relief, and Economic Security Act

In response to the economic impact of COVID-19, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted by Congress and was subsequently signed into law on March 27, 2020. The CARES Act included a variety of economic assistance provisions for businesses and individuals. The System suspended non-emergent or non-critical surgeries, procedures and appointments beginning in mid-March through early-May in 2020 due to COVID-19. Under certain provisions in the CARES Act, the System received benefits related to provider relief funding totaling approximately $213,052,000 for the year ended December 31, 2020. The System recognized approximately $160,952,000 as other operating revenue in its consolidated statement of operations and the remaining $52,100,000 as deferred revenue in its consolidated balance sheet at December 31, 2020. The System also deferred payment of approximately $22,796,000 for the employer portion of the Social Security payroll tax as allowed by the CARES Act. Approximately $11,398,000 is included as a component of accrued salaries and benefits and the remaining $11,398,000 is included as a component of other long-term liabilities on the accompanying consolidated balance sheet as of December 31, 2020. Fifty percent (50%) of the deferred taxes must be paid by December 31, 2021 with the remainder by December 31, 2022.

Under the CARES Act, the System also received approximately $138,706,000 in advances under the Medicare Accelerated and Advance Payments Program (AAPP) in April 2020.

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

- Twenty five percent (25%) of the System's Medicare payments will first offset against the outstanding AAPP balance for the next eleven (11) months.
- Fifty percent (50%) of the System's Medicare payments will first offset against the outstanding AAPP balance for the next six (6) months.
- The System's subsidiaries will receive letters setting forth their remaining balance and will have thirty (30) days to pay the balance in full.
- Any unpaid balance after the thirty (30) days will accrue interest at a rate of four percent (4%).

The System has classified these advances as liabilities on its consolidated balance sheets, with $46,394,000 classified as a current liability and $92,313,000 as a non-current liability.

Note 2. Summary of Significant Accounting Policies (Continued)

Recently Adopted Accounting Pronouncements

Effective January 1, 2020, the System adopted FASB ASU 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*. The new guidance is intended to more closely align hedge accounting with entities' hedging strategies, simplify the application of hedge accounting, and increase the transparency of hedging programs.

For cash flow and net investment hedges existing at the date of adoption, ASU 2017-12 must be applied through a cumulative-effect adjustment. The System used a prospective method to adopt ASU 2017-12 on January 1, 2020. There was no impact on the System's total excess of revenues over expenses or total net assets from adoption.

Effective January 1, 2020, the System adopted FASB ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. The System used a retrospective method to adopt ASU 2018-13 on January 1, 2020. There was no impact on the System's total excess of revenues over expenses or total net assets from adoption.

Pending Accounting Pronouncements

In August 2018, the FASB issued ASU 2018-14, *Compensation - Retirement Benefits - Defined Benefit Plans—General (Subtopic 715-20): Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans*, which modifies the disclosure requirements for defined benefit pension plans and other post-retirement plans. This ASU is effective for the System for fiscal years ending after December 15, 2021 and must be applied on a retrospective basis. Management anticipates that ASU 2018-14 will not have a material impact on the System's consolidated financial statements and related disclosures.

In January 2020, the FASB issued ASU 2020-01*, Investments—Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815),* which clarifies that the observable price changes in orderly transactions that should be considered when applying the measurement alternative in accordance with ASC 321 include transactions that require it to either apply or discontinue the equity method of accounting under ASC 323. ASU 2020-01 also addresses questions about how to apply the guidance in Topic 815, *Derivatives and Hedging*, for certain forward contracts and purchased options to purchase securities that, upon settlement or exercise, would be accounted for under the equity method of accounting. This ASU is effective for the System beginning on January 1, 2021. The adoption of ASU 2020-01 is not expected to have a significant impact on the System's consolidated financial statements.

Note 2. Summary of Significant Accounting Policies (Continued)

Income Taxes

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

CCPI, a subsidiary of Touro, is a for-profit entity. The operations of CCPI have resulted in cumulative net operating losses for Federal income tax purposes of approximately $67,000,000, of which approximately $24,000,000 have no expiration as to their use while approximately $43,000,000 expire in varying amounts through 2036. No tax benefits related to these operating losses have been recognized in the accompanying consolidated financial statements.

Accounting for Uncertainty in Taxes

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

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

Note 3. Patient Service Revenues

The System has arrangements with patients and third-party payors that provide for payments to the System at amounts different from its established rates. A summary of the payment arrangements with major payors follows:

Commercial

The System has also entered into contractual arrangements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. Inpatient and outpatient services rendered to patients covered by commercial insurance are reimbursed at prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates. In general, there is a lower risk to the System on revenues recognized from commercial insurers in comparison to other third-party payors.

Note 3. Patient Service Revenues (Continued)

Medicaid

In the context of healthcare reform, effective February 1, 2012, Louisiana Medicaid introduced Bayou Health, a state-wide managed care Medicaid initiative. Medicaid recipients enroll in one of five available Bayou Health plans. The plans are all accountable to the Louisiana Department of Health (LDH) and to the State of Louisiana (State). There are differences between these plans, including their provider networks, referral policies, health management programs, services and incentives offered to participants. Medicaid recipients can select Bayou Health plan for enrollment.

The System's reimbursements from the Bayou Health plans follow the same methodology as Medicaid; that is, LDH's objective is to continue collecting all Medicaid hospital program services and costs through the annual cost report uniformly, whether the service is covered by traditional Medicaid fee for service or a Prepaid Plan.

All inpatient services, with the exception of transplants, 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.

The state of Louisiana reimburses certain outpatient hospital services based on a percentage of actual cost. Since actual cost cannot be determined until after the fiscal year and the related cost report is completed, the hospitals estimate their cost-based reimbursement using prior year cost factors. The cost factors are adjusted for year-to-date changes in cost and volumes.

Transaction prices related to Medicaid revenues are more at risk of being increased or decreased in a period after the actual services were performed as described in the Third-Party Settlements section below.

Supplemental Payment Program

The System has collaborated with the State and units of local government in Louisiana to more fully fund the Medicaid program and to ensure the availability of quality healthcare services for the low income and needy residents in the community population.

The provision of this care directly to low income and needy patients will result in the alleviation of the expense of public funds the governmental entities would otherwise expend on such care, thereby allowing the governmental entities to increase support for the state Medicaid program up to Full Medicaid Pricing (FMP) and the Upper Payment Limit (UPL). The State's methodology must comply with its state plan with approval by the Centers for Medicare & Medicaid Services (CMS).

Note 3. Patient Service Revenues (Continued)

Supplemental Payment Program (Continued)

For the years ended December 31, 2020 and 2019, LCMC Health has recognized approximately $149,135,000 and $192,695,000, respectively, under the FMP/UPL program classifying it within net patient service revenue on the consolidated statements of operations. At December 31, 2020 and 2019, respectively, approximately $87,831,000 and $80,628,000 of these revenues were not yet collected and therefore included in Supplemental Payments Receivable in the consolidated balance sheets.

UMCMC, Touro, and West Jefferson qualify as disproportionate share providers and as teaching hospitals under the Medicaid regulations. As such, the System receives additional payments for Medicaid inpatients served. The Medicaid disproportionate share regulations are established by the LDH and are subject to review and approval by the Centers for Medicare and Medicaid Services. The System has included approximately $259,273,000 and $261,104,000 for Medicaid disproportionate share revenues in net patient service revenues, for the years ended December 31, 2020 and 2019, respectively. At December 31, 2020 and 2019, respectively, approximately $9,895,000 and $17,210,000 of these revenues were not yet collected and therefore included in Supplemental Payments Receivable in the consolidated balance sheets.

During 2020 and 2019, the System received approximately $5,318,000 and $14,766,000 from the State in the form of Graduate Medical Education Supplement Payment.

Effective January 1, 2019, the System entered in an agreement with the Louisiana Quality Network (LQN) to facilitate payments to the System under the State's Medicaid Managed Care Quality Incentive Program (Program). LDH amended its agreements with its MCOs to include quality-based performance measures and quality-based outcomes. With the expected achievement of the defined quality measures, LDH will fund the MCOs, who in turn
will fund LQN, for the Managed Care Incentive Payment (MCIP). For each measurement year, LDH will evaluate the performance relative to the specific quality measures. In the event LDH finds a deficiency in the accomplishment of those performance measures, there is the potential for recoupment of the MCIPs.

Under the terms of the agreement with LQN, the System recognized estimated incentive payments for the years ended December 31, 2020 and 2019, of approximately $30,907,000 and $30,008,000, respectively, which is included within net patient service revenue. The System recorded a related receivable of approximately $17,691,000 and $30,008,000 within supplemental payments receivable at December 31, 2020 and 2019, respectively.

Note 3. Patient Service Revenues (Continued)

Supplemental Payment Program (Continued)

Total supplemental payments receivable as of December 31, 2020 and 2019 is summarized as follows:

	2020	2019
Full Medicaid Pricing and Upper Payment Limit Receivables	$ 87,831,000	$ 80,628,000
Managed Care Incentive Payment Receivable	17,691,000	30,008,000
Medicaid Disproportionate Share Receivable	9,895,000	17,210,000
Graduate Medical Education Receivable	623,000	1,275,000
Total Supplemental Payments Receivable	$ 116,040,000	$ 129,121,000

Medicare

In general, the System is reimbursed under the Medicare Prospective Payment System (PPS) for acute care inpatient services provided to Medicare beneficiaries, and is paid a predetermined amount for these services based on the Diagnosis Related Group (DRG) assigned to the patient. However, supplemental settlement based on annual cost reports occurs later as described below.

The System qualifies as a disproportionate share provider and as a teaching hospital under the Medicare regulations. As such, the System receives additional payments for Medicare inpatients served.

Outpatient services rendered to Medicare program beneficiaries are generally reimbursed by the Outpatient Prospective Payment System (OPPS), which establishes a number of Ambulatory Payment Classifications (APC) for outpatient procedures in which the System is paid a predetermined amount for these procedures. However, supplemental settlement based on annual cost reports occurs later as described below.

Transaction prices related to Medicare revenues are more at risk of being increased or decreased in a period after the actual services were performed as described in the Third-Party Settlements section below.

Managed Medicare

Medicare Advantage Plans are a type of Medicare health plan offered by a private company that contracts with Medicare to provide Part A and Part B benefits. Managed Medicare reimbursement plans are typically offered by Health Maintenance Organizations, Preferred Provider Organizations, Private Fee-for-Service Plans or Special Needs Plans. The System has entered into agreements with these organizations to provide services to subscribers covered under these plans.

Note 3. Patient Service Revenues (Continued)

Managed Medicare (Continued)

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. Transaction prices related to Managed Medicare revenues, generally, are more at risk of being increased or decreased in a period after the actual services were performed as described in the Third-Party Settlements section below.

Guarantor/Patient/Other

Generally, patients who are covered by third-party payors are responsible for patient responsibility balances, including deductibles and coinsurance, which vary in amount. The System estimates the transaction price for patients with deductibles and coinsurance based on historical experience and current market conditions. Current facts and historical patterns actually observed are used to estimate ongoing implicit price concessions.

Third-Party Settlements

As mentioned in Note 2, patient service revenue increased by approximately $9,233,000 and $28,212,000 in 2020 and 2019, respectively, due to changes in estimates resulting from the filing of cost reports; the removal of allowances previously estimated that are no longer necessary as a result of final settlements; years that are no longer subject to audits, reviews and investigations; revision if allowance estimates recorded in prior years relating to expected retroactive adjustments; and revisions based on updated information from the fiscal intermediary.

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

	2020			2019		
	Inpatient	Outpatient	Total	Inpatient	Outpatient	Total
Medicaid	$ 219,450	$ 168,727	$ 388,177	$ 174,441	$ 198,294	$ 372,735
UPL/FMP/MCIP	158,786	26,471	185,257	180,358	12,338	192,695
DSH	165,686	93,587	259,273	154,223	106,881	261,104
Medicare	229,276	109,634	338,910	191,703	76,858	268,561
Guarantor/Patient/Other	(4,733)	5,128	395	942	7,005	7,947
Other Third-Party						
Commercial	131,245	128,226	259,471	110,223	156,889	267,112
Managed Medicare	124,566	112,721	237,287	127,352	109,961	237,313
Eldercare	12,129	-	12,129	12,982	-	12,982
NPSR	$ 1,036,405	$ 644,494	$ 1,680,899	$ 952,224	$ 668,225	$ 1,620,449

Note 4. Assets Limited as to Use

At December 31, 2020 and 2019, assets limited as to use are invested as allowed and consist of the following investment categories (in thousands):

	2020	2019
Cash	$ -	$ -
U.S. Government Securities	34	34
Marketable Equity Securities	697,751	566,670
Other Fixed Income Securities	570,094	458,769
Corporate Bonds	1,015	819
State of Israel Bonds	500	500
Money Market Funds, Certificates of Deposit, and Commercial Paper	52,874	5,514
Total	$ 1,322,268	$ 1,032,306

The System has approximately $33,789,000 in future commitments to current hedge fund managers. Some hedge fund managers have withdrawal restrictions established upon entering their funds which limit an investor's ability to withdraw amounts as a protection for their investments. There also may be fees associated with early withdrawal that generally lapse over defined time periods. These restrictions generally allow for quarterly withdrawals; however, in no case does the withdrawal limitation extend beyond one year.

Note 5. Derivative Instruments

The System entered into derivative instruments consisting of interest rate swap agreements.

At December 31, 2020, the instruments consist of the following:

Trade Date	Maturity	Notional Amount	Hedged Rate		Derivative Rate	Counterparty
August 15, 2005 (amended December 5, 2016)	January 1, 2023	$ 8,935,000	6.125%		SIFMA Municipal Swap Index	Touro
April 24, 2015 (amended December 5, 2016)	October 1, 2023	$ 40,160,000	3.900%		SIFMA Municipal Swap Index plus a spread	Touro
April 1, 2014 (amended December 24, 2018)	October 1, 2023	$ 125,000,000	5.50%	*	USD-LIBOR-BBA	Children's
April 1, 2014 (amended December 24, 2018)	October 1, 2021	$ 128,000,000	5.50%	*	USD-LIBOR-BBA	Children's

* From the trade date to but not including October 1, 2019, 5.65%. From and including October 1, 2019 to the maturity date, 5.50%.

Note 5. Derivative Instruments (Continued)

At December 31, 2019, the instruments consist of the following:

Trade Date	Maturity	Notional Amount	Hedged Rate		Derivative Rate	Counterparty
August 15, 2005 (amended December 5, 2016)	January 1, 2023	$ 11,945,000	6.125%		SIFMA Municipal Swap Index	Touro
April 24, 2015 (amended December 5, 2016)	October 1, 2023	$ 40,500,000	3.900%		SIFMA Municipal Swap Index plus a spread	Touro
April 1, 2014 (amended December 24, 2018)	October 1, 2023	$ 125,000,000	5.50%	*	USD-LIBOR-BBA	Children's
April 1, 2014 (amended December 24, 2018)	October 1, 2021	$ 128,000,000	5.50%	*	USD-LIBOR-BBA	Children's

* From the trade date to but not including October 1, 2019, 5.65%. From and including October 1, 2019 to the maturity date, 5.50%.

Interest expense associated with the debt instruments was reduced by the realized gains and interest earnings from the swaps' effectiveness by approximately $13,930,000 and $9,520,000 in 2020 and 2019, respectively. At December 31, 2020 and 2019, certain of these agreements had carrying values (which approximates fair value) in an asset position of approximately $4,203,000 and $2,854,000, respectively, which were recorded in other receivables.

With respect to the derivative instruments held at December 31, 2020 and 2019, the System's exposure to credit-related losses in the event of nonperformance by counterparties is minimized because the counterparties are international banks with excellent credit ratings.

All derivative instruments are subject to market risk, which is the risk that future changes in market conditions may make an instrument less valuable or more onerous. Exposure to market risk is managed in accordance with risk limits set by the investment committee of the LCMC Health Board of Trustees and by monitoring performance by investment managers in accordance with specified investment guidelines.

Note 6. Leases

The following table presents the components of the System's right-of-use assets and liabilities related to leases and their classification in consolidated balance sheet at December 31st (in thousands):

Component of Lease Balances	Classification in Consolidated Balance Sheet	December 31, 2020	December 31, 2019
Assets			
Finance Lease Assets	Finance Lease Assets	$ 12,268	$ -
Operating Lease Assets	Other Assets	47,147	48,490
Total Lease Assets		$ 59,415	$ 48,490
Liabilities			
Finance Lease Liabilities			
Current	Current Finance Lease Liabilities	$ 646	$ -
Long-Term	Finance Lease Liabilities	11,944	-
Operating Lease Liabilities			
Current	Other Current Liabilities	7,636	4,898
Long-Term	Other Long-Term Liabilities	41,001	44,403
Total Lease Liabilities		$ 61,227	$ 49,300

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

	Year Ending December 31, 2020	2019
Lease Cost		
Finance Lease Cost:		
Amortization of Right-of-Use Assets Recorded in Depreciation and Amortization	$ 887	$ -
Interest on Lease Liabilities Recorded in Interest Expense	268	-
Operating Lease Cost Recorded in Supplies and Other Expenses	7,469	5,924
Short-Term Lease Cost Recorded in Supplies and Other Expenses	13,861	9,818
Total Lease Cost	$ 22,485	$ 15,742
Other Information		
Cash Paid for Amounts Included in the Measurement of Lease Liabilities		
Operating Cash Flows from Finance Leases	$ 268	$ -
Operating Cash Flows from Operating Leases	6,761	5,139
Financing Cash Flows from Finance Leases	612	-
Right-of-Use Assets Obtained in Exchange for New Finance Lease Liabilities	13,302	-
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	17,859	53,724
Weighted-Average Remaining Lease Term--Finance Leases	13.8 years	N/A
Weighted-Average Remaining Lease Term--Operating Leases	8.8 years	10.7 years
Weighted-Average Discount Rate--Finance Leases	2.03%	N/A
Weighted-Average Discount Rate--Operating Leases	3.00%	3.00%

Note 6. Leases (Continued)

Future maturities of lease liabilities at December 31, 2020 are presented in the following table (in thousands):

	Operating Leases	Finance Leases
2021	$ 8,970	$ 902
2022	7,707	924
2023	6,485	947
2024	5,658	971
2025	5,315	995
Thereafter	21,338	9,944
Total Lease Payments	55,472	14,683
Less: Imputed Interest	(6,835)	(2,093)
Total Lease Obligations	48,637	12,590
Less: Current Obligations	(7,636)	(646)
Long-Term Lease Obligations	$ 41,001	$ 11,944

Note 7. Property, Plant, and Equipment

At December 31st, property, plant, and equipment consisted of the following (in thousands):

	2020	2019
Land and Land Improvements	$ 112,855	$ 62,408
Leasehold Improvements	1,442	1,442
Buildings	561,876	438,315
Fixed Equipment	175,979	159,200
Major Moveable Equipment	604,638	500,772
	1,456,790	1,162,137
Less: Accumulated Depreciation	(767,326)	(699,700)
Construction in Progress	226,844	185,217
Property, Plant and Equipment, Net	$ 916,308	$ 647,654

Depreciation expense on depreciable assets was approximately $76,008,000 and $62,157,000 for the years ended December 31, 2020 and 2019, respectively.

Note 8. Investments in Joint Ventures

In January 2015, Touro Infirmary's subsidiary, CCPI, exchanged consideration of $44,100,000 for a 49% interest in Crescent City Surgical Center (CCSC). CCPI is able to exercise significant influence over the operations of CCSC. As such the investment is accounted for using the equity method. The income earned by CCPI for the years ended December 31, 2020 and 2019 is included within other operating revenues.

The System has invested in various other joint ventures through Touro Infirmary and West Jefferson. Summarized financial information for the System's equity investments in its joint ventures, in approximation, for 2020 present equity earnings of $12,008,000, distributions of $22,326,000, capital contributions of $-0-, and total equity at December 31, 2020 of $46,868,000. For the year ended December 31, 2019, equity earnings were $7,409,000, distributions of $7,713,000, and capital contributions of $2,225,000. The total equity at December 31, 2019 was $57,186,000.

Note 9. Line of Credit

UMCMC previously entered into a $100,000,000 revolving line of credit agreement with J.P. Morgan Chase Bank, N.A. The advances bore interest from the borrowing date until they were paid in full, at a variable rate plus a margin, as defined in the agreement. The interest rate at December 31, 2019 was 2.55%. Interest was payable quarterly on the first day of each January, April, July, and October.

At December 31, 2019, the amount outstanding on the line of credit was $100,000,000. The line of credit was secured by the pledge of gross revenues from UMCMC and guarantees of LCMC Health and Children's.

In 2020, LCMC Health entered into a new revolving line of credit agreement with J.P. Morgan Chase Bank, N.A. in an initial aggregate amount of $50,000,000. The revolver has an accordion feature providing for additional borrowing capacity up to $100,000,000. The initial revolving line of credit was executed on June 30, 2020 and the terms were subsequently modified in February 2021. The interest rate on any advances on the line of credit is variable at LIBOR plus 1.00%. Interest is payable quarterly. In addition, there is an unused fee of 15 bps payable quarterly. The line of credit is for one year and matures in February 2022. At December 31, 2020, the outstanding balance was $-0-.

Note 10. Bonds Payable

At December 31st, bonds payable consist of the following tax-exempt revenue and refunding bonds issued by the Louisiana Public Facilities Authority on behalf of Touro and LCMC Health (in thousands):

	2020	2019
Series 1993 Bonds Interest fixed at 6.125%, principal and interest payable annually through maturity on August 15, 2027.	$ 8,935	$ 11,945
Series 2015 Bonds Interest fixed at 3.90%, principal and interest payable annually beginning in 2020 through maturity in 2029.	40,160	40,500
Series 2015 A1 - Serial Bonds Interest fixed at 5.00%, payable semi-annually, beginning December 1, 2018. Principal payments begin June 1, 2036 through maturity on June 1, 2039.	27,515	27,515
Series 2015 A1 - Term Bonds Interest at 5% per annum, payable semi-annually, beginning December 1, 2018. Mandatory redemption beginning June 1, 2040 through maturity on June 1, 2045.	27,320	27,320
Series 2015 A1 - Term Bonds Interest at 4% per annum, payable semi-annually, beginning June 1, 2018. Mandatory redemption beginning June 1, 2040 through maturity on June 1, 2045.	25,000	25,000
Series 2015 A2 Bonds - Term Rate Mode Initial interest rate of 5.00% through June 1, 2025. Interest is payable semi-annually, beginning December 1, 2018. Mandatory redemption beginning June 1, 2036 through maturity on June 1, 2045.	75,140	75,140
Series 2015 A3 Bonds - Term Rate Mode Initial interest rate of 5.00% through June 1, 2023. Interest is payable semi-annually, beginning December 1, 2018. Mandatory redemption beginning June 1, 2036 through maturity on June 1, 2045.	27,095	27,095
Series 2017 Bonds - Index Rate Mode Initial Index Rate is SIFMA plus 0.65% (65 basis points). Interest is payable monthly beginning September 4, 2018. Mandatory sinking fund redemption beginning September 1, 2046 through maturity on September 1, 2057.	125,000	125,000

Note 10. Bonds Payable (Continued)

	2020	2019
Series 2020A Bonds - Term Bonds Interest at 3% per annum, payable semi-annually, beginning December 1, 2020. Mandatory sinking fund redemption beginning June 1, 2046 through maturity on June 1, 2050.	55,000	-
Series 2020A Bonds - Term Bonds Interest at 4% per annum, payable semi-annually, beginning December 1, 2020. Mandatory sinking fund redemption beginning June 1, 2046 through maturity on June 1, 2050.	40,850	-
Series 2020B Bonds - Term Bonds Interest at 2.282% per annum, payable semi-annually, beginning December 1, 2020. Early redemption allowed at a make-whole redemption price. Full principle due at maturity on June 1, 2030.	102,280	-
	554,295	359,515
Plus: Unamortized Original Issue Premium	24,291	19,176
Less: Unamortized Original Issue Discount	(55)	(74)
Less: Debt Issuance Costs, Net of Amortization	(7,067)	(2,871)
	571,464	375,746
Less: Current Maturities of Bonds Payable	(4,610)	(3,350)
Bonds Payable - Long-Term	$ 566,854	$ 372,396

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

2021	$ 4,610
2022	4,860
2023	3,870
2024	5,405
2025	5,615
2026 - 2030	24,735
2031 - 2035	164,685
2036 - 2040	97,255
2041 - 2045	58,445
2046 - 2050	128,125
2051 - 2055	56,690
Total	$ 554,295

Note 11. Notes Payable

Series 2014 Notes Payable

UMCMC entered into a trust indenture with the Bank of New York Mellon Trust Company relating to the issuance of the Series 2014 Notes totaling $253,000,000. The notes were issued in two series: (i) Series 2014-A1 Notes in the principal amount of $125,000,000, and (ii) Series 2014-A2 Notes in the principal amount of $128,000,000. These notes are the general obligations of UMCMC and are secured by the trust estate (described below).

The Series 2014-A1 Notes and 2014-A2 Notes mature on April 1, 2024 and bear interest at a rate of 7.25%. Interest only is payable on these notes on April 1st and October 1st.

As security for payment of these notes, UMCMC pledges and assigns: (i) a security interest in their debt service fund mentioned above, (ii) pledged revenues that includes all receipts, income, rents, royalties, benefits and other revenue from the operation of UMCMC's facilities, exclusive of revenue from donors that have a restriction as to the use of the revenue and exclusive of revenues where applicable law precludes the granting of a security interest in those revenues, and (iii) any and all property of every kind that may be subjected to the lien of the Trust Indenture. Collectively, these three elements define the trust estate.

Fixed Rate Draw Note

UMCMC has a $28,000,000 fixed draw note with Bank of America, N.A. for purposes of funding the construction of a second parking garage on the UMCMC campus. The draws on the note bear interest from the borrowing date until they are paid in full, at a rate per annum equal to the Fixed Rate, as defined in the agreement. The interest rate at December 31, 2020 was 3.75%. Interest is payable semiannually on the first day of each April and October commencing on October 1, 2020. The note is scheduled to mature on March 20, 2025.

At December 31, 2020, the outstanding amount on the note was $21,299,000. The note is secured by the pledge of gross revenues from UMCMC. The lender to this borrowing has limited to $15,000,000 the amount of new debt that may be incurred by UMCMC without the prior written consent of the lender.

At December 31st, notes payable consists of the following (in thousands):

		2020		2019
Series 2014 Notes Payable	$	253,000	$	253,000
Less: Debt Issuance Costs, Net of Amortization		(392)		(512)
		252,608		252,488
Fixed Rate Draw Note		21,299		-
Non-Current Portion of Notes Payable	$	273,907	$	252,488

Note 12. Employee Retirement Plans

Defined Contribution Plans

The Louisiana Children's Medical Center Retirement Savings Plan (LCMCRS Plan) was formed by LCMC Health as a Section 403(b) defined contribution employee benefit plan.

The employees of Children's, CHMPC, Touro Infirmary, Woldenberg, UMCMC, and West Jefferson are participants in the LCMCRS Plan, with the employees' deferrals together with any employer contributions being directed to the investment options in the LCMCRS Plan.

Employer contributions for LCMC Health, Touro Infirmary, UMCMC, West Jefferson, and LHAC are comprised of a contribution of 2% of each eligible employee's compensation, a qualified matching contribution of 50% on an eligible employee's contribution up to 4% of the employee's eligible earnings, and an employer discretionary contribution up to 3% of each participant's compensation. Contributions by these entities during the years ended December 31, 2020 and 2019, were approximately $16,843,000 and $15,184,000, respectively.

Eligible employees of Woldenberg who participate may make tax-deferred contributions; however, Woldenberg does not match any portion of the employee's contributions nor does it make any discretionary contribution.

CCPI and NOPS sponsor their own 401(k) defined contribution employee benefit plan.

Employees of CCPI may contribute to the Plan through salary deferrals. CCPI makes qualified matching contributions of 100% of an eligible employee's contribution up to 3% of their eligible earnings, plus 50% of an eligible employee's contribution in excess of 3% of their eligible earnings up to 5% of their eligible earnings. Contributions by CCPI during the years ended December 31, 2020 and 2019, were approximately $793,000 and $895,000, respectively.

NOPS employees, too, may contribute to the Plan through salary deferrals. Eligible employees receive a non-elective safe harbor contribution of 3% of their compensation. In addition, NOPS matches 100% of an eligible employee's contribution up to 2% of the employee's eligible earnings. Contributions by NOPS during the year ended December 31, 2020 and 2019 were approximately $629,000 and $579,000, respectively.

ARV employees do not participate in any System sponsored plan.

Note 12. Employee Retirement Plans (Continued)

Defined Benefit Pension Plan

Through December 31, 2015, Touro Infirmary's defined benefit pension plan (the Plan) covers substantially all full-time employees. The Plan is noncontributory and provides benefits that are based on the participants' years of service and level of compensation. Through December 31, 2015, each participant is entitled to an account balance that grows each year with pay, transition, employer match, and interest credits. Effective January 1, 2016, the Plan was amended to eliminate pay credits and to eliminate the addition of participants. Pay credits shall not be credited with respect to any compensation that is earned after December 31, 2015. Further, an employee who is not a participant in the Plan on December 31, 2015 may not become a participant after December 31, 2015.

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

The System's consolidated financial statements include net periodic pension expense of approximately $79,000 and $367,000 for the years ended December 31, 2020 and 2019, respectively. Touro made contributions of $2,760,000 and $-0- during the years ended December 31, 2020 and 2019, respectively. As of December 31, 2020 and 2019, the System has unfunded liabilities associated with this plan totaling approximately $9,210,000 and $10,723,000, respectively.

Note 12. Employee Retirement Plans (Continued)

Defined Benefit Pension Plan (Continued)

The tables that follow set forth the Plan's components of net periodic pension cost, change in projected benefit obligation, change in plan assets, funded status, and pension expense recognized by Touro Infirmary as of and for the years ended December 31, 2020 and 2019 using the projected unit credit method with salary progression (in thousands).

	2020	2019
Change in Benefit Obligation		
Benefit Obligation at Beginning of Year	$ 39,361	$ 37,602
Service Cost	-	-
Interest Cost	1,170	1,463
Curtailment / Settlement	-	-
Actuarial Loss	3,678	4,192
Benefits Paid	(3,300)	(3,896)
Benefit Obligation at End of Year	40,909	39,361
Change in Plan Assets		
Fair Value of Plan Assets at Beginning of Year	28,638	28,185
Actual Return on Plan Assets	3,601	4,349
Benefits Paid	(3,300)	(3,896)
Employer Contributions	2,760	-
Fair Value of Plan Assets at End of Year	31,699	28,638
(Underfunded) Status	$ (9,210)	$ (10,723)
Net Periodic Pension Cost		
Service Cost	$ -	$ -
Interest Cost	1,170	1,463
Actuarial Gain on Plan Assets	(3,601)	(4,349)
Net Amortization	2,510	3,253
Net Periodic Cost	$ 79	$ 367

Note 12. Employee Retirement Plans (Continued)

Defined Benefit Pension Plan (Continued)

Included in net assets at December 31st, are the following amounts that have not yet been recognized in net periodic postretirement benefit cost (in thousands):

	2020	2019
Unrecognized Experience Loss	$ 12,338	$ 11,170
Unrecognized Prior Service Cost	-	-
Total Accrued Benefit Cost	$ 12,338	$ 11,170

Amounts included in net assets at December 31, 2020, that are expected to be amortized into net periodic post-retirement cost during 2021 total approximately $212,000.

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

	2020	2019
Discount Rate, Obligation	2.30%	3.10%
Discount Rate, Periodic Cost	3.10%	4.10%
Expected Return on Plan Assets	7.00%	7.00%
Rate of Compensation Increase	N/A	N/A
Cash Balance Interest Credit Rate	3.00%	3.00%

The defined benefit pension plan asset allocation as of the measurement date (January 1st) and the target asset allocation, presented as a percentage of total plan assets, were as follows:

	2020	2019	Target Allocation
Domestic Equity	23.7%	20.3%	23%
International Equity	19.3%	20.6%	18%
Fixed Income	30.2%	45.3%	33%
Cash/Short-Term Fixed Income	23.0%	9.8%	22%
Real Assets	3.8%	4.0%	4%

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

Note 12. Employee Retirement Plans (Continued)

Defined Benefit Pension Plan (Continued)

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

The following tables set forth by level, within the fair value hierarchy, the Plan's investments at fair value as of December 31, 2020 and 2019 (in thousands):

2020	Level 1	Level 2	Total
Domestic Equity	$ 7,530	$ -	$ 7,530
International Equity	6,136	-	6,136
Fixed Income	3,304	6,259	9,563
Cash/Short-Term Fixed Income	7,271	-	7,271
Real Assets	1,199	-	1,199
Total	$ 25,440	$ 6,259	$ 31,699

2019	Level 1	Level 2	Total
Domestic Equity	$ 5,810	$ -	$ 5,810
International Equity	5,886	-	5,886
Fixed Income	8,543	4,443	12,986
Cash/Short-Term Fixed Income	2,797	-	2,797
Real Assets	1,159	-	1,159
Total	$ 24,195	$ 4,443	$ 28,638

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

Professional money managers are delegated the day-to-day responsibility of managing individual portfolios within the context of certain diversification guidelines and to certain performance benchmark standards.

The Plan's investment consultant provides quarterly performance reports to evaluate the achievement of overall return expectations of total investments as well as each manager's contribution, both on the basis of absolute and relative performance standards.

Note 12. Employee Retirement Plans (Continued)

Defined Benefit Pension Plan (Continued)

The Plan's overall asset allocation is reviewed periodically to conform to current market conditions and expectations with regard to overall capital markets assumptions. Historical return patterns and correlations, expected return risk premium, and other multifactor considerations are utilized in the development of overall capital markets assumptions for the purpose of the Plan's asset allocation determinations.

Touro Infirmary expects to make contributions of approximately $804,000 to the defined benefit pension plan in 2021.

At December 31, 2020 and 2019, Touro Infirmary's plan had accumulated benefit obligations of approximately $40,909,000 and $39,361,000, respectively.

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):

2021	$	1,600
2022		1,800
2023		1,850
2024		1,790
2025		1,850
Thereafter		8,750
Total	$	17,640

Executive Benefit Plan

The System sponsors has benefits for both current and former members of senior management. These include supplemental executive retirement plans, deferred compensation plans and an executive employment retention plan, with specific vesting dates, providing the executive with tax deferral opportunities. The liabilities associated with these plans total approximately $325,000 and $920,000 at December 31, 2020 and 2019, respectively. These liabilities are presented on the consolidated balance sheets within accrued salaries. In addition, Children's and LCMC Health sponsor a 457(b)-investment account that can be utilized by senior management and certain employee medical providers. As of December 31, 2020, and 2019, the System's total liability for these plans is approximately $12,318,000 and $9,325,000, respectively, and is included in accrued salaries and benefits on the consolidated balance sheets. Related assets of approximately $12,318,000 and $9,325,000, at December 31, 2020 and 2019, respectively, are recorded in other assets on the consolidated balance sheets to fully settle these plan liabilities.

Note 13. Concentrations of Credit Risk

Patient accounts receivable are stated at estimated net realizable value. The System grants credit without collateral to its patients, most of who are Gulf South region residents and are insured under third-party payor agreements.

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

	2020		2019	
Medicare	26	%	26	%
Medicaid	26		27	
Other Third-Party Payors	44		43	
Patients/Guarantor/Other	3		3	
Workers' Compensation	1		1	
Total	100	%	100	%

Receivables from government-related programs (i.e., Medicare and Medicaid) represent the largest concentrated group of credit risk for the System, and management does not believe that there are any credit risks associated with these government programs. Commercial and managed care receivables consist of receivables from various payors involved in diverse activities and subject to differing economic conditions and do not represent any concentrated credit risks to the System.

The System records implicit pricing concessions for estimated losses resulting from a payors inability to make payments on accounts. The System estimates the implicit pricing concessions based on historical write-offs and the aging of the accounts. Accounts are written off when collection efforts have been exhausted. Management continually monitors and adjusts its allowances associated with its receivables.

The System periodically maintains cash in bank accounts in excess of insured limits. The System has not experienced any losses and does not believe that significant credit risk exists as a result of this practice.

Note 14. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for purposes specific to healthcare programs and facilities totaling approximately $7,373,000 at December 31, 2020 and $6,023,000 at December 31, 2019, respectively.

They are also comprised of endowments that are subject to the spending policy of the System totaling approximately $5,998,000 at December 31, 2020 and $5,992,000 at December 31, 2019, respectively.

Note 14. Net Assets with Donor Restrictions (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. The assets whose purpose was met and released totaled approximately $1,816,000 and $2,311,000 for the years ended December 31, 2020 and 2019, respectively.

Note 15. Endowment

The State of Louisiana enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective August 15, 2010, the provisions of which apply to endowment funds existing on or established after that date. The net assets classified as perpetual in nature have been determined to meet the definition of endowment funds under UPMIFA.

The System holds donor-restricted endowment funds established primarily to fund specified activities for and within the System and the medical community as a whole. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board has interpreted the State of Louisiana's UPMIFA as requiring the preservation of the fair value at the original gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of the interpretation, the System classifies as net assets with donor restrictions - perpetual in nature (a) the original value of gifts donated as an endowment, (b) the original value of subsequent endowment gifts, and (c) accumulations to the endowments made in accordance with the direction of the applicable donor 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 as perpetual in nature are classified net assets with donor restrictions - purpose restricted until those amounts are appropriated for expenditure by the System in a manner consistent with the standard of prudence prescribed in UPMIFA.

In accordance with UPMIFA, the System considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purpose of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the System, and (7) the System's investment policies.

Note 15. Endowment (Continued)

Endowment Investment and Spending Policies: The System has adopted investment and spending policies for endowment assets to achieve a disciplined, consistent management philosophy that accommodates reasonable and probable events. Preservation of capital and return on investment are of primary importance. The primary investment objective is to preserve financial assets generated through donor gifts, so that the proceeds may be distributed for the purposes intended by the donors and to the benefit of the System, at a level of risk deemed acceptable by the LCMC Health investment committee. To satisfy its long-term rate-of-return objectives, the System relies on a strategy outlined by its investment policy statement and includes purchases of bonds, stocks, and cash and cash equivalents.

The System's Endowment Net Asset Composition by fund type as of December 31, 2020 is as follows (in thousands):

	Without	With Donor Restrictions		
	Donor Restrictions	Purpose	Perpetual in Nature	Total
Donor-Restricted Endowment Funds	$ -	$ -	$ 5,998	$ 5,998
Undesignated Funds	-	-	-	-
Total	$ -	$ -	$ 5,998	$ 5,998

A summary of the changes in the System's Endowment Net Assets for the year ended December 31, 2020 is as follows (in thousands):

	Without	With Donor Restrictions		
	Donor Restrictions	Purpose	Perpetual in Nature	Total
Net Assets, Beginning of Year	$ -	$ -	$ 5,992	$ 5,992
Contributions	-	-	6	6
Investment Return				
Investment Income	-	-	-	-
Net Appreciation (Realized and Unrealized)	-	-	-	-
Total Investment Return	-	-	-	-
Released from Restriction	-	-	-	-
Appropriation of Endowment Net Assets for Expenditure	-	-	-	-
Net Assets, End of Year	$ -	$ -	$ 5,998	$ 5,998

Note 15. Endowment (Continued)

The System's Endowment Net Asset Composition by fund type as of December 31, 2019 is as follows (in thousands):

	Without Donor Restrictions	With Donor Restrictions Purpose	With Donor Restrictions Perpetual in Nature	Total
Donor-Restricted Endowment Funds	$ -	$ -	$ 5,992	$ 5,992
Undesignated Funds	-	-	-	-
Total	$ -	$ -	$ 5,992	$ 5,992

A summary of the changes in the System's Endowment Net Assets for the year ended December 31, 2019 is as follows (in thousands):

	Without Donor Restrictions	With Donor Restrictions Purpose	With Donor Restrictions Perpetual in Nature	Total
Net Assets, Beginning of Year	$ -	$ -	$ 5,905	$ 5,905
Contributions	-	-	87	87
Investment Return				
Investment Income	-	-	-	-
Net Appreciation (Realized and Unrealized)	-	-	-	-
Total Investment Return	-	-	-	-
Released from Restriction	-	-	-	-
Appropriation of Endowment Net Assets for Expenditure	-	-	-	-
Net Assets, End of Year	$ -	$ -	$ 5,992	$ 5,992

Note 16. Assets Held in Trust

Children's has been named the income beneficiary of a separate trust. Because the assets of the trust are not controlled by Children's and Children's does not have an irrevocable right to receive the income earned on the trust's assets, they are not included in Children's financial statements. The assets had a market value of approximately $4,235,000 and $4,199,000 at December 31, 2020 and 2019, respectively. Distributions of income are made at the discretion of the trustee. For the years ended December 31, 2020 and 2019, Children's recorded contribution income of approximately $130,000 and $153,000, respectively, received from the trust.

Note 17. Functional Expenses

The System provides general health care services, both inpatient and outpatient, to patients in the Gulf South region. For the years ended December 31, 2020 and 2019, expenses related to providing these services are as follows (in thousands):

December 31, 2020	Program							Management and General	Eliminations	Total	Fundraising	Total
	Adult	Pediatric	Medical Education	Physicians Group	Senior Care	Eliminations	Total					
Operating Expenses												
Employee Compensation and Benefits	$ 232,958	$ 121,309	$ 156,024	$ 116,108	$ 13,278	$ (9,279)	$ 630,398	$ 144,750	$ (1,449)	$ 143,301	$ 1,207	$ 774,906
Purchased Services	94,100	21,978	9,490	10,924	3,554	(2,613)	137,433	251,744	(141,926)	109,818	2,708	249,959
Professional Fees	33,776	44,860	175,917	13,852	53	(10,078)	258,380	22,962	-	22,962	229	281,571
Supplies and Other Expenses	154,998	53,541	200,073	13,249	2,632	(2,528)	421,965	57,411	(3,420)	53,991	1,615	477,571
Depreciation and Amortization	29,435	18,353	-	1,128	1,937	-	50,853	58,242	(20,421)	37,821	156	88,830
Interest	(7)	-	50	-	313	-	356	16,110	-	16,110	-	16,466
	$ 545,260	$ 260,041	$ 541,554	$ 155,261	$ 21,767	$ (24,498)	$ 1,499,385	$ 551,219	$ (167,216)	$ 384,003	$ 5,915	$ 1,889,303
Non-operating Expenses												
Community Support	$ 2,522	$ 19,998	$ 2,184	$ -	$ -	$ (97)	$ 24,607	$ -	$ -	$ -	$ -	$ 24,607

December 31, 2019	Program							Management and General	Eliminations	Total	Fundraising	Total
	Adult	Pediatric	Medical Education	Physicians Group	Senior Care	Eliminations	Total					
Operating Expenses												
Employee Compensation and Benefits	$ 176,718	$ 112,496	$ 148,843	$ 115,258	$ 9,557	$ (7,474)	$ 555,398	$ 124,760	$ (1,672)	$ 123,088	$ 1,157	$ 679,643
Purchased Services	67,186	19,568	11,236	11,259	2,712	(2,632)	109,329	223,838	(121,095)	102,743	2,244	214,316
Professional Fees	33,001	44,351	164,063	9,675	50	(11,707)	239,433	17,082	-	17,082	410	256,925
Supplies and Other Expenses	133,147	52,761	202,930	10,728	1,730	(1,313)	399,983	55,735	(3,216)	52,519	1,165	453,667
Depreciation and Amortization	24,662	14,532	-	1,178	959	-	41,331	50,854	(17,317)	33,537	123	74,991
Interest	-	-	50	-	-	-	50	20,825	-	20,825	-	20,875
	$ 434,714	$ 243,707	$ 527,122	$ 148,098	$ 15,008	$ (23,126)	$ 1,345,523	$ 493,094	$ (143,300)	$ 349,795	$ 5,099	$ 1,700,417
Non-operating Expenses												
Community Support	$ 3,124	$ 17,002	$ 2,645	$ -	$ -	$ -	$ 22,771	$ -	$ -	$ -	$ -	$ 22,771

Note 18. Fair Value of Financial Instruments

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

Note 18. Fair Value of Financial Instruments (Continued)

Assets and liabilities measured at fair value on a recurring basis at December 31, 2020 are summarized below (in thousands):

Assets	Level 1	Level 2	Level 3	Total Fair Value
Marketable Equity Securities	$ 583,111	$ -	$ -	$ 583,111
U.S. Government Securities	1	-	-	1
Corporate Bonds	-	1,015	-	1,015
Other Fixed Income Securities	398,410	-	36,670	435,080
Money Market Funds	52,874	-	-	52,874
State of Israel Bonds	-	500	-	500
Interest Rate and Basis Swaps	-	4,202	-	4,202
Investments Measured at Fair Value	1,034,396	5,717	36,670	1,076,783
Investments Measured at NAV [(a)]				252,101
Total Investments at Fair Value				$ 1,328,884

(a) In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy.

Assets and liabilities measured at fair value on a recurring basis at December 31, 2019 are summarized below (in thousands):

Assets	Level 1	Level 2	Level 3	Total Fair Value
Marketable Equity Securities	$ 498,591	$ -	$ -	498,591
U.S. Government Securities	1	-	-	1
Corporate Bonds	-	819	-	819
Other Fixed Income Securities	191,065	-	28,175	219,239
Money Market Funds	5,514	-	-	5,514
State of Israel Bonds	-	500	-	500
Interest Rate and Basis Swaps	-	2,854	-	2,854
Investments Measured at Fair Value	695,170	4,173	28,175	727,517
Investments Measured at NAV [(a)]				310,249
Total Investments at Fair Value				$ 1,037,766

(a) In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy.

Note 18. Fair Value of Financial Instruments (Continued)

Purchases of investments measured at fair value for which the System has used Level 3 inputs to determine fair value for the years ended December 31, 2020 and 2019, were approximately $11,614,000 and $1,893,000, respectively. There were no transfers into or out of Level 3 investments for the years ended December 31, 2020 and 2019.

The System's measurements of fair value are made on a recurring basis and their valuation techniques for assets and liabilities recorded at fair value are as follows:

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

Interest Rate and Basis Swap Agreements - The fair values of these agreements represent the estimated amount the System would pay to terminate these agreements at the reporting date, taking into account current interest rates and credit worthiness of the counterparty and the System.

Note 19. Commitments and Contingencies

The System has certain pending and threatened litigation and claims incurred in the ordinary course of business; however, management believes that the probable resolution of such contingencies will not exceed the System's recorded reserves or insurance coverage, and will not materially affect the consolidated financial position, results of operations, changes in net assets, or cash flows of the System.

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

Note 19. Commitments and Contingencies (Continued)

To ensure accurate payments to providers, the Tax Relief and Healthcare Act of 2006 mandated the Centers for Medicare & Medicaid Services (CMS) to implement so-called Recovery Audit Contractor (RAC) and Medicaid Integrity Contractor (MIC) programs on a permanent and nationwide basis. The programs use RACs and MICs to search for potentially improper Medicare and Medicaid payments that may have been made to health care providers that were not detected through existing CMS program integrity efforts. A RAC or MIC may reopen an initial determination made on a claim between one and four years from the date of the initial determination when good cause exists.

The System will deduct from revenue amounts assessed under the RAC and MIC audits after the assessment and appeals process is complete until such time that estimates of net amounts due can be reasonably estimated. RAC and MIC assessments against the System are anticipated; however, the outcome of such assessments is unknown and cannot be reasonably estimated. Management has determined RAC and MIC assessments to be insignificant to date.

Operating UMC

As mentioned in Note 1, UMCMC has assumed responsibility for operating UMC under the terms of a CEA. The UMC CEA has an initial term of five years and will automatically renew for five-year terms, unless UMCMC provides at least two hundred seventy days' advance notice of its intent not to renew. The UMC CEA may terminate prior to the expiration of its term under the following conditions: (a) upon the mutual agreement of all parties, (b) there is a change in law that has a material adverse effect on the parties, or (c) expiration of the leases discussed further within this footnote.

Separate and apart from the aforementioned conditions, the UMC CEA also provides that LCMC Health shall be allowed to withdraw as a member of UMCMC prior to the expiration of the term of the UMC CEA. LCMC Health may withdraw as a member, without cause, upon providing sixty (60) days advance written notice to LSU; however, LCMC Health must act in good faith and with full consideration of UMCMC to be financially viable and sustainable, which determination will be made by the LCMC Health Board of Trustees only after a process that provides an opportunity for consultation and input by LSU and Tulane, as well as other academic partners, provided that the process will not delay or extend the sixty (60) day period.

The UMC CEA became effective May 29, 2013.

Leases with UMC

With regards to the UMC CEA mentioned in Note 1, UMCMC has entered into multiple lease agreements.

Effective May 29, 2013, UMCMC entered into an Amended and Restated Master Hospital Lease Agreement with LSU for the leasing of UMC as later amended. Beginning when the UMCMC took occupancy of UMC, UMCMC is obligated to minimum annual rental payments of approximately $69,410,000.

Note 19. Commitments and Contingencies (Continued)

Leases with UMC (Continued)

The term of the UMC lease will be five years which will automatically renew for seven periods of five years each, for a total of thirty-five additional years, unless notice of non-renewal is provided at least 270 days before the end of the then current term. The annual rent payments for leasing UMC is subject to increase annually; however, that increase is limited to no more than 5% than the rent in the previous year. The annual lease payments for UMC will be reviewed and adjusted to the Fair Market Rental Value, as defined, every twenty years.

The Amended and Restated Master Hospital Lease Agreement required UMCMC to make advance lease payments towards the facility rental. Of this total, $110,000,000 is a prepayment of a portion of the future UMC rent payments, excluding UMC's ambulatory care building and its garage. UMCMC will receive an annual credit of approximately $5,500,000 against its rent obligation for UMC, for each of the first twenty years of the UMC lease term. The remaining $143,000,000 represents all future rent payments for UMC's ambulatory care building and its garage. This will be amortized over the forty-year term of the UMC lease.

In 2015 and 2016, UMCMC made amendments to the Amended and Restated Master Hospital Lease Agreement which allowed UMCMC to continue to occupy portions of the Interim LSU Hospital facility for the remainder of the lease term at an annual amount of $1,326,000.

These advance payments are included within prepaid expenses on the consolidated balance sheets, as discussed in Note 2. These payments were funded by the Series 2014 Notes mentioned in Note 11.

Payment of rent by UMCMC under the Amended and Restated Master Hospital Lease Agreement is guaranteed by LCMC Health as long as they are the sole member of UMCMC.

In relation to the Amended and Restated Master Hospital Lease agreement, UMCMC entered into a Right of Use, Possession and Occupancy agreement whereby UMCMC is granted the right to use and occupy the land and surface improvements for allowing the leased buildings and future buildings and other improvements to be located on the land, together with vehicular and pedestrian access to and from the leased buildings and future improvements, parking and related uses. This agreement commences on the date that the UMC facility lease commences and shall only terminate and expire when the UMC facility lease expires.

Note 19. Commitments and Contingencies (Continued)

Leases with UMC (Continued)

Effective May 29, 2013, UMCMC also entered into an Equipment Lease for an initial term of ten years with two separate and successive options to renew for a period of five years. UMCMC is responsible for lost and stolen equipment that is being leased and the cost associated with either replacing that equipment or reimbursing the lessor for the fair market value of that equipment. UMCMC has substantial reporting requirements to the Louisiana Property Assistance Agency and the State's Legislative Auditor under this equipment lease.

Rent expense under the above Amended and Restated Master Lease and Equipment Lease totaled approximately $77,184,000 and $75,940,000 for the years ended December 31, 2020 and 2019, respectively.

In projecting minimum annual lease payments, UMCMC included a growth factor to its annual rents, calculated rent for UMC lease for only the first twenty years of its lease due to the provision of that rent being reviewed and adjusted to the Fair Market Rental Value, and included the application of the advance lease payment mentioned above.

Minimum annual rental payments, as of December 31, 2020 for the above mentioned leases, are as follows (in thousands):

2021	$ 71,069
2022	71,540
2023	71,310
2024	71,317
2025	72,017
Thereafter	720,340
Total	$ 1,077,593

Operating West Jefferson

As mentioned in Note 1, West Jefferson was formed for the purpose of operating assets leased to it by the District under the terms of a CEA and a Master Hospital Lease. The WJ CEA is entered into by West Jefferson, LCMC Health, and the District and shall remain in effect for an initial term of 45 years, with an option to renew for up to two additional 15-year terms.

Note 19. Commitments and Contingencies (Continued)

Operating West Jefferson (Continued)

Terms of the WJ CEA

The WJ CEA provides for a series of transactions between West Jefferson, LCMC Health and the District (Parties) including:

- The District leasing to West Jefferson substantially all of the hospital real property owned by the District pursuant to the Master Hospital Lease;
- West Jefferson assuming the leases for the hospital real property leased by the District pursuant to the terms and conditions of the WJ CEA;
- West Jefferson assuming responsibility for hospital operations during the term;
- West Jefferson leasing the equipment owned by the District that is used in connection with the facilities pursuant to the Master Hospital Lease;
- LCMC Health committing that an aggregate of $340,000,000 will be expended for capital expenditures over the 15-year commitment period to support the operations of West Jefferson and the facilities;
- West Jefferson and LCMC Health committing to supporting the clinical and research missions of the facilities; and
- The Parties entering into such other or additional transactions as they mutually agree may be necessary, referred to as contemplated transactions.

Capital Commitments

As mentioned above, LCMC Health is committed to expending $340,000,000 on capital expenditures. LCMC Health and West Jefferson covenant that during the term, but ending on the 15-year anniversary of the closing date of September 30, 2015, a minimum of $340,000,000 shall be expended for the capital expenditures for the facilities and for other related health care projects. During the term, an aggregate of (a) $95,000,000 shall be expended within the first five years of the commitment period, (b) $210,000,000 aggregate portion shall be expended within first 10 years of the commitment period, and (c) the full amount of the commitment funds shall have been expended prior to the expiration of the commitment period. Children's guarantees to the District, to the extent necessary, that LCMC Health shall have sufficient funds to fulfill its obligations relative to this capital commitment.

For the five-year period ended September 30, 2020, LCMC exceeded its requirement of expending $95,000,000.

Note 19. Commitments and Contingencies (Continued)

New Orleans East Hospital (NOEH)

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

The NOEH CEA provides that the Joint Parties will manage and be responsible for the day-to-day operations of a 50-bed public hospital and emergency department doing business as NOEH. Touro Infirmary will serve in the primary role of managing and being responsible for the day-to-day operations of NOEH and to provide supplemental operational support for NOEH to support and enhance the continuity and viability of NOEH's operations for the citizens of Eastern New Orleans.

Under the NOEH CEA, the Joint Parties are obligated for: (i) employing or contracting with those required to operate NOEH; (ii) providing comprehensive administrative, professional, operational, revenue cycle and financial management of NOEH; (iii) obtaining and maintaining the appropriate licenses, software and hardware and corresponding support services related to those technology systems; and (iv) assisting NOEH in recruiting medical staff. The agreement commenced on the Effective Date, as defined, and will expire June 30, 2029, with an option to renew for up to 10 years.

So long as a mortgage on Parish Hospital Service District for Parish of Orleans's property is insured or held by the Secretary of HUD, the Secretary may make a written request to Parish Hospital Service District for Parish of Orleans and the Joint Parties to terminate the NOEH CEA with or without cause.

Parish Hospital Service District for Parish of Orleans shall pay to the Joint Parties a fee that is comprised of annual management, revenue cycle management, and direct and indirect operating components. Parish Hospital Service District for Parish of Orleans and the Joint Parties have agreed that operating revenues of NOEH, as defined, shall be the only source of funds for paying the fee.

The Joint Parties may also terminate the NOEH CEA prior to the expiration of its term; should the accumulated and unpaid fees and operational obligations of the Joint Parties reach $12,000,000; the Joint Parties are relieved of performing further their operational obligations.

Through the NOEH CEA, the System has recognized revenue of approximately $2,555,000 and $3,071,000 for the years ended December 31, 2020 and 2019, respectively, which is included within other operating revenues on the System's consolidated statements of operations. At December 31, 2020 and 2019, Parish Hospital Service District for Parish of Orleans owes the System approximately $12,646,000 and $18,803,000, respectively, for both the revenue recognized as well as direct costs incurred by the System on behalf of Parish Hospital Service District for Parish of Orleans. This amount is included within current other receivables on the System's consolidated balance sheets.

Note 19. Commitments and Contingencies (Continued)

Audubon Retirement Village

As described in Note 1, ARV executed a CEA for the operation of the Nursing Home. In conjunction with that CEA, ARV executed a lease agreement effective June 28, 2019 with LSU. The lease has an initial term of five years, with the opportunity to exercise two additional terms of five years, so that the maximum possible term of the lease is fifteen years. The annual rent is $876,000, payable in equal quarterly installments. The annual rent will increase 2.5% each year on the anniversary of the Commencement Date, with the Commencement Date being November 1, 2019. ARV is further obligated to commence construction of improvements to the Nursing Home no later than twelve months after the Commencement Date, with costs of construction, incurred by ARV, expected to be no more than approximately $12,500,000.

East Jefferson General Hospital

As mentioned in Note 1, LCMC Health Holdings, Inc. whose sole member is LCMC Health, executed an asset purchase agreement in 2020 for the purchase of EJGH and certain of its affiliates.

Consideration and Payments

The aggregate consideration to be paid upon closing for the purchased assets includes the Base Consideration of $90,000,000, minus Assumed Liabilities and Transaction Expenses for its Purchase Price. The Purchase Price will be modified through an agreement of a Working Capital Adjustment.

The Asset Purchase Agreement provides for the potential of up to $15,000,000 of Additional Consideration, payable over three years of $5,000,000 each, beginning in 2021. The condition to payment is tied to a measure of Indigent Care Costs.

Capital Commitments

Over the period of five years, effective October 1, 2020, LCMC Health, and/or one of its Affiliates, shall expend or commit to expend a minimum of One Hundred Million Dollars ($100,000,000) on Qualified Expenditures to support and improve health care access and delivery that benefits the residents of a defined Restricted Area.

Professional and General Liability Insurance

Professional and general liability claims have been asserted against the System and are in various stages of developing. Events occurring through December 31, 2020 may result in the filing of additional claims. The System has a risk management program that provides professional and general liability coverage. Within the program, the System carries an umbrella policy for professional liability insurance coverage of $25,000,000 on a claims-made basis, with a self-insured retention of $1,000,000 per occurrence or medical incident and $4,500,000 in the aggregate. The umbrella policy provides an additional $25,000,000 of coverage on an occurrence basis for general liability insurance in excess of the same shared self-insured retention.

There is an additional excess umbrella liability policy in place that provides a single limit of $10,000,000 in excess of the two $25,000,000 limits described above.

Note 19. Commitments and Contingencies (Continued)

Professional and General Liability Insurance (Continued)

Professional liability claims are limited through the System's participation in the Louisiana Patient's Compensation Fund (the Fund). The Fund was established through state legislation and statutorily limits each medical professional liability claim to $500,000. The System is self-insured for the first $100,000 of each claim. The remaining $400,000 of each claim is covered by the Fund.

The System has reflected its estimate of the ultimate liability for known and incurred but not reported claims in the accompanying consolidated financial statements. The estimated liability for professional liability claims, which was discounted at 2% at December 31, 2020 and 2019, respectively, was approximately $25,413,000 and $22,660,000. Undiscounted professional liability claims totaled approximately $26,928,000 and $25,587,000 at December 31, 2020 and 2019, respectively.

Estimated Employee Health and Workers' Compensation Claims

LCMC Health and its subsidiaries are covered under one health plan. The medical plan is self-insured up to $750,000 for non-domestic claims and fully self-insured for domestic claims. LCMC Health, Children's, Touro, West Jefferson, UMCMC, and NOPS are self-insured for workers' compensation claims up to $800,000. Effective October 1, 2020, LCMC Health Holdings, LLC acquired EJGH and is also self-insured for workers' compensation claims up to $800,000.

The System has a risk management program that provides excess coverage for non-domestic employee health claims and both domestic and non-domestic workers' compensation claims on an occurrence basis. The estimated liability for workers' compensation claims, discounted at 2% at December 31, 2020 and 2019, respectively, was approximately $12,090,000 and $8,549,000. Undiscounted workers' compensation claims totaled approximately $12,772,000 and $9,763,000 at December 31, 2020 and 2019, respectively. The estimated liability for employee health claims was approximately $4,527,000 and $6,300,000 at December 31, 2020 and 2019, respectively. Due to the short-term nature of these employee health claims liabilities, the fair value approximates the carrying value.

Energy Asset Commitments

Effective December 31, 2020, LCMC Health, with Touro and its affiliate Woldenberg, executed certain agreements with Bernhard Energy, LLC, together with its special purpose entity, Crescent City Energy Partners, LLC, (collectively, Bernhard) with detailed unconditional purchase obligations to Bernhard for energy optimization and design/build improvements, and also for thermal service charges comprised of capacity charges and both energy and non-energy asset operations and maintenance charges.

Note 19. Commitments and Contingencies (Continued)

Energy Asset Commitments (Continued)
As referenced in Note 24, on March 26, 2021, LCMC Health closed on the long-term transaction with Bernhard for the energy improvements, system upgrades and energy services for the campuses of both Touro Infirmary and Woldenberg through individual energy concession agreements. The term of the agreement is 15 years and expires in March 2036. Depending on the type of an event of termination, termination fees may be owed, if early termination occurs.

In consideration for entering into these agreements, Bernhard paid Touro and Woldenberg a sum total of approximately $44,418,000 upon the closing on March 26, 2021. Additionally, Touro and Woldenberg made a payment of approximately $17,184,000 to Bernhard on the closing date for Energy Optimization Services. The transaction resulted in net cash proceeds to Touro of approximately $27,234,000.

The concession services agreements specify responsibilities and obligations of both Bernhard, LCMC Health, Touro Infirmary, and Woldenberg for the grant to Bernhard of rights over certain energy-related assets. In connection, Bernhard has guaranteed certain energy cost savings.

LCMC Health and Children's Hospital have guaranteed certain payments to be made to Bernhard by both Touro Infirmary and Woldenberg over the life of the agreement.

The sum total of the fixed and determinable payments (thermal services charges) to be paid to Bernhard are as follows (in thousands):

Year Ending December 31,	Amount
2021	$ 12,897
2022	20,335
2023	24,734
2024	26,352
2025	27,031
Thereafter	320,575
Total	$ 431,924

LCMC Health and Children's have guaranteed these payments to Bernhard.

Note 20. Community Support

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

Such community support programs include health seminars on a variety of health topics that are relevant to the health needs of the community including healthy eating, diabetes management, healthy aging, cancer support and survivorship, sexual abuse awareness, and smoking cessation. Other programs include benefits to the community such as health screenings, in-home caregiver services, counseling for patients and families, pastoral care, health enhancement and wellness programs, telephone information services, and the donation of space for use by community groups. The System also has a robust trauma prevention program including but not limited to, tourniquet training, Sudden Impact (targeting high school students), safety belt programs, and baby carrier programs.

The System provides benefits to Medicaid patients in the form of uncompensated patient care costs. The System also emphasizes the importance of higher education and funds the teaching of students and health professionals through a comprehensive graduate medical education program.

Certain community support programs' revenues and expenses are excluded from operations and are shown, net, as community support on the consolidated statements of operations. This classification is driven by the magnitude of the programs and the knowledge that these programs are solely for the benefit of the community, not self-supporting or financially viable, and not a part of the System's operations. These programs, which are primarily pediatric centered, include the following: Children's Healthcare Assistance Plan (CHAP), Kids First physician practices, Children At Risk Evaluation (CARE) Center, Children's Research Institute, Limited Intervention Program, the Parenting Center, Ventilator Assisted Care Program, Safe Kids Coalition, Greater New Orleans Immunization Network, Ambulatory Clinical and Nutritional Support Services, the Miracle League, Cochlear Implant Program, and Autism Center. CHAP, one of the largest of these programs, is designed to assist families with income too high to qualify for Medicaid, but whose lack of resources limit their access to quality health care. In addition to CHAP, CHMPC increases the accessibility of health care to the indigent and underinsured through its Kids First pediatric primary care physician practices.

Note 20. Community Support (Continued)

The revenues and expenses associated with these programs for the year ended December 31, 2020 are detailed as follows (in thousands):

2020	Research Institute	CHAP	CARE Center	Behavioral Health	LSU Research	LHCS	NOCS	Other	Total
Patient Revenues	$ -	$ 15,640	$ 1,020	$ 681	$ -	$ 6,603	$ -	$ 9,424	$ 33,368
Revenue Deductions	-	(15,640)	(803)	(550)	-	(4,765)	-	(7,025)	(28,783)
Other Revenues	355	-	335	201	-	142	-	2,290	3,323
Total Revenues	355	-	552	332	-	1,980	-	4,689	7,908
Total Expenses	1,625	3,776	1,885	1,331	2,340	3,997	1,928	15,633	32,515
Community Support, Net	$ (1,270)	$ (3,776)	$ (1,333)	$ (999)	$ (2,340)	$ (2,017)	$ (1,928)	$ (10,944)	$ (24,607)

The revenues and expenses associated with these programs for the year ended December 31, 2019 are detailed as follows (in thousands):

2019	Research Institute	CHAP	CARE Center	Behavioral Health	LSU Research	LHCS	NOCS	Other	Total
Patient Revenues	$ -	$ 12,951	$ 1,561	$ 831	$ -	$ 7,722	$ -	$ 7,455	$ 30,520
Revenue Deductions	-	(12,951)	(1,229)	(744)	-	(6,171)	-	(5,361)	(26,456)
Other Revenues	239	-	330	-	-	526	-	1,366	2,461
Total Revenues	239	-	662	87	-	2,077	-	3,460	6,525
Total Expenses	1,478	3,168	2,050	990	5,774	4,321	-	11,515	29,296
Community Support, Net	$ (1,239)	$ (3,168)	$ (1,388)	$ (903)	$ (5,774)	$ (2,244)	$ -	$ (8,055)	$ (22,771)

The expenses presented in the tables above, include direct expenses and an allocation of indirect expenses as follows (in thousands):

	2020	2019
Direct Expenses	$ 26,548	$ 23,780
Indirect Expenses	5,967	5,516
Total Expenses	$ 32,515	$ 29,296

Indirect expenses represent estimates of patient care cost and allocated overhead using Medicare cost reporting methodologies.

Note 21. Pledges Receivable

Pledges receivable were discounted at the rate of 3.5%. At December 31, 2020, amounts included in pledges receivable were as follows (in thousands):

Pledges Receivable	$	2,608
Less: Discount of Long-Term Pledges		(134)
Total	$	2,474

Amounts due in the years ended December 31st are as follows (in thousands):

2021	$	1,199
2022		804
2023		510
2024		85
Thereafter		10
Total	$	2,608

Note 22. Liquidity and Availability

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

Cash and Cash Equivalents	$	307,469
Patient Receivables, Net		219,596
Supplemental Payments Receivable		116,040
Other Receivables		46,110
Board Designated Assets Limited as to Use		1,300,193
Total	$	1,989,408

Donor restricted endowment funds are not available for general expenditure.

Note 23. Business Combinations

As further described in Note 1 and 19, LCMC Health Holdings, Inc. took ownership and began operating EJGH through an asset purchase agreement by Louisiana Health Holdings, Inc. and Jefferson Parish Hospital Service District No. 2 Parish of Jefferson, State of Louisiana effective October 1, 2020. The purchase price related to the acquisition consisted of $90,000,000 cash consideration. Also, as part of the transaction, the seller agreed to provide minimum working capital of $18,000,000. Any excess working capital above the minimum requirement was also contributed as part of the transaction. At the closing date, excess working capital above the required minimum working capital was $2,700,000 and that amount was paid to the District on the closing date. The agreement provides for a true-up of working capital, post-closing with any amounts below or in excess of the targeted working capital reimbursable to seller or buyer. Based on reconciliations post-closing, an additional amount is estimated to be paid to the District, in 2021, of approximately $14,661,000 and has been reflected as part of the purchase price outlined in the table below - Assets Acquired in Excess of Liabilities Assumed. Through the procedures performed by management, it was determined that the carrying value approximated fair value. The excess of the fair value of assets acquired over consideration paid (purchase price) and liabilities assumed has been reflected as an inherent contribution received within net assets as of the opening balance sheet date. Adjustments to the purchase price and opening balance sheet allocation are permitted within one year from the acquisition date. Any such adjustments would be an adjustment to the inherent contribution recorded as of December 31, 2020.

Further, the parties agreed on a contingent consideration payment of $15,000,000 over a three-year performance period, if EJGH meets certain indigent care cost measures. Also as part of the transaction, LCMC Health committed $100,000,000 of capital on behalf of EJGH over a five-year time period.

As of October 1, 2020, management determined that EJGH's historic performance made it probable that the payment of contingent consideration in the amount of $15,000,000 will be required. As a result, this amount has been recognized as a liability as of December 31, 2020. See Note 19.

As of December 31, 2020, no final settlement of such amounts have been reached. See Note 19.

In connection with the asset purchase, effective October 1, 2020, EGJH, through a member substitution agreement, became the sole member of Metairie Physician Services, Inc. (MPSI). No consideration was exchanged for this membership.

Note 23. Business Combinations (Continued)

Assets Acquired in Excess of Liabilities Assumed (in thousands):

	EJGH	MPSI	Total
Cash and Cash Equivalents	$ 28,439	$ 4,540	$ 32,979
Patient Accounts Receivable	30,225	769	30,994
Other Receivables	1,602	1,460	3,062
Supplemental Payments Receivable	8,259	-	8,259
Inventories	8,856	-	8,856
Prepaid Expenses	3,415	-	3,415
Property, Plant, and Equipment	159,351	-	159,351
Other Assets	11,960	-	11,960
Trade Accounts Payable	(13,402)	(828)	(14,230)
Accrued Salaries and Benefits	(3,402)	(912)	(4,314)
Current Portion of Medicare Advance Payments	(9,014)	-	(9,014)
Estimated Third-Party Payor Settlements	(2,814)	-	(2,814)
Deferred Revenue	(706)	-	(706)
Other Current Liabilities	(3,050)	-	(3,050)
Medicare Advance Payments, Net of Current Portion	(19,005)	-	(19,005)
Other Long-Term Liabilities	(8,828)	-	(8,828)
	191,886	5,029	196,915
Purchase Price	(122,023)	-	(122,023)
Inherent Contribution	$ 69,863	$ 5,029	$ 74,892

Certain liabilities pertaining to pre-acquisition contingencies, such as long-term indebtedness, pension liabilities, health care law liabilities, medical claim liabilities, environmental liabilities, and encumbrances have been excluded from the acquisition and remain with the District.

Note 24. Subsequent Events

Management evaluated subsequent events through the date the consolidated financial statements were available to be issued, May 14, 2021, and determined that the following event occurred that requires disclosure.

As more fully described in Note 19, LCMC Health, Touro and Woldenberg closed on a long-term transaction for energy improvements, system upgrades and energy services, under energy concession agreements. These agreements specify obligations of all parties under the agreements relative to rights of certain assets, guaranteed energy savings costs and the exchange of consideration.

No other subsequent events occurring after May 14, 2021 have been evaluated for inclusion in these consolidated financial statements.

SUPPLEMENTARY INFORMATION

LOUISIANA CHILDREN'S MEDICAL CENTER
Consolidating Balance Sheet
December 31, 2020 (in Thousands)

	LCMC	Touro	Children's	UMCMC	West Jefferson	LHAC	LHCS	ARV	NOCS	EJGH	Eliminations	Consolidated
Assets												
Current Assets												
Cash and Cash Equivalents	$ 8,385	$ 75,083	$ 39,008	$ 122,369	$ 43,354	$ 723	$ 161	$ 927	$ -	$ 17,173	$ 286	$ 307,469
Assets Limited as to Use	-	999	-	-	-	-	-	-	-	-	-	999
Patient Accounts Receivable	1,794	34,364	31,478	72,489	33,642	1,464	202	722	-	45,515	(2,074)	219,596
Pledges Receivable, Net of Discount	-	-	1,199	-	-	-	-	-	-	-	-	1,199
Other Receivables	(3,964)	16,136	19,203	6,424	4,981	635	-	-	-	3,118	(423)	46,110
Supplemental Payments Receivable	-	24,304	61,378	7,963	12,510	1,626	-	-	-	8,259	-	116,040
Inventories	5,125	6,354	5,779	12,275	6,498	-	-	-	-	9,915	-	45,946
Estimated Third-Party Payor Settlements	-	-	13,136	-	-	-	-	55	-	-	-	13,191
Prepaid Expenses	7,850	1,391	3,560	30,669	8,585	637	101	39	-	4,608	-	57,440
Due from Related Parties	-	24,383	101,433	-	-	107	-	-	81	-	(126,004)	-
Total Current Assets	19,190	183,014	276,174	252,189	109,570	5,192	464	1,743	81	88,588	(128,215)	807,990
Assets Limited as to Use												
Investments Designated for Capital Projects and Specific Programs	-	74,879	1,225,314	-	-	-	-	-	-	-	-	1,300,193
Cash Restricted by Bond Indenture, Debt Service Reserve	-	3,292	33	4,761	-	-	-	-	-	-	-	8,086
Donor-Restricted Long-Term Investments	-	11,600	2,200	-	-	-	-	-	-	-	-	13,800
Restricted Other	127	62	-	-	-	-	-	-	-	-	-	189
Less: Amount Required for Current Obligations	-	(999)	-	-	-	-	-	-	-	-	-	(999)
Assets Limited as to Use, Net	127	88,834	1,227,547	4,761	-	-	-	-	-	-	-	1,321,269
Pledges Receivable, Net of Discount	-	-	1,275	-	-	-	-	-	-	-	-	1,275
Investments in Joint Ventures	-	45,886	-	-	982	-	-	-	-	-	-	46,868
Long-Term Portion Prepaid Leases	-	-	-	215,942	172,222	-	-	-	-	-	-	388,164
Property, Plant, and Equipment, Net	109,897	124,246	371,743	72,810	77,279	-	1,059	4,625	-	154,649	-	916,308
Due from Related Party	417,900	11,000	-	-	-	-	-	-	-	-	(428,900)	-
Finance Lease Assets	-	-	-	-	-	-	-	12,268	-	-	-	12,268
Other Assets	30,294	6,862	25,463	649	4,160	250	967	2	-	11,972	-	80,619
Investments in Subsidiaries	1,943,002	-	-	-	-	-	-	-	-	-	(1,943,002)	-
Total Assets	$ 2,520,410	$ 459,842	$ 1,902,202	$ 546,351	$ 364,213	$ 5,442	$ 2,490	$ 18,638	$ 81	$ 255,209	$ (2,500,117)	$ 3,574,761

See independent auditor's report.

LOUISIANA CHILDREN'S MEDICAL CENTER
Consolidating Balance Sheet (Continued)
December 31, 2020 (in Thousands)

	LCMC	Touro	Children's	UMCMC	West Jefferson	LHAC	LHCS	ARV	NOCS	EJGH	Eliminations	Consolidated
Liabilities and Net Assets												
Current Liabilities												
Trade Accounts Payable	$ 24,873	$ 24,113	$ 30,667	$ 85,149	$ 18,857	$ 124	$ 6	$ 397	$ 81	$ 15,501	$ (2,497)	$ 197,271
Accrued Salaries and Benefits	9,328	14,533	17,044	17,148	10,832	3,473	191	288	-	13,295	-	86,132
Current Portion of Medicare Advance Payments	-	8,828	335	19,524	8,403	237	27	26	-	9,014	-	46,394
Current Maturities of Bonds Payable, Net of Deferred Financing Costs	-	4,610	-	-	-	-	-	-	-	-	-	4,610
Current Portion of Estimated Employee Health and Workers' Compensation Claims	406	1,355	1,709	2,417	2,563	57	51	-	-	436	-	8,994
Current Portion of Estimated Professional Liabilities Claims	12	1,625	1,328	3,376	2,479	55	2	-	-	667	-	9,544
Current Portion of Contingent Performance Obligation	-	-	-	-	-	-	-	-	-	5,000	-	5,000
Estimated Third-Party Payor Settlements	-	10,756	-	93,736	8,044	-	-	-	-	2,388	-	114,924
Due to Related Parties	-	-	4,806	170,948	-	-	375	-	-	88,900	(265,029)	-
Deferred Revenue - Provider Relief Funds			3,707	29,165	19,000	228	-	-	-	-	-	52,100
Deferred Revenue	-	-	243	-	-	-	-	-		486	-	729
Deferred Revenue - Supplemental Payments	-	-	-	4,755	-	-	-	-	-	-	-	4,755
Line of Credit	-	-	-	-	-	-	-	-	-	-	-	-
Current Finance Lease Liabilities	-	-	-	-	-	-	-	646	-	-	-	646
Other Current Liabilities	3,512	3,012	3,187	6,926	4,004	-	855	54	-	17,588	-	39,138
Total Current Liabilities	38,131	68,832	63,026	433,144	74,182	4,174	1,507	1,411	81	153,275	(267,526)	570,237
Medicare Advance Payments, Net of Current Portion	-	16,655	785	40,273	15,215	143	17	220	-	19,005	-	92,313
Bonds Payable, Net of Current Portion	522,974	43,880	-	-	-	-	-	-	-	-	-	566,854
Notes Payable	-	-	-	273,907	-	-	-	-	-	-	-	273,907
Estimated Employee Health and Workers' Compensation Claims, Net of Current Portion	79	2,521	901	2,229	1,557	125	15	-	-	-	-	7,427
Estimated Professional Liability Claims, Net of Current Portion	18	6,531	1,603	3,480	3,436	693	77	-	-	-	-	15,838
Employee Benefits	-	-	5,417	-	-	-	-	-	-	-	-	5,417
Pension Liability	-	9,210	-	-	-	-	-	-	-	-	-	9,210
Due to Related Parties	-	-	-	-	284,877	-	-	3,827	-	-	(288,704)	-
Finance Lease Liabilities	-	-	-	-	-	-	-	11,944	-	-	-	11,944
Other Long-Term Liabilities	28,610	6,631	10,786	3,779	8,478	307	874	-	-	18,529	(885)	77,109
Total Liabilities	589,812	154,260	82,518	756,812	387,745	5,442	2,490	17,402	81	190,809	(557,115)	1,630,256
Noncontrolling Interest	-	590	-	-	-	-	-	-	-	-	-	590
Net Assets												
Without Donor Restrictions	1,930,544	293,875	1,817,484	(210,461)	(23,532)	-	-	1,236	-	64,400	(1,943,002)	1,930,544
With Donor Restrictions												
Purpose Restrictions	54	5,305	2,014	-	-	-	-	-	-	-	-	7,373
Perpetual in Nature	-	5,812	186	-	-	-	-	-	-	-	-	5,998
Total Net Assets	1,930,598	304,992	1,819,684	(210,461)	(23,532)	-	-	1,236	-	64,400	(1,943,002)	1,943,915
Total Liabilities and Net Assets	$ 2,520,410	$ 459,842	$ 1,902,202	$ 546,351	$ 364,213	$ 5,442	$ 2,490	$ 18,638	$ 81	$ 255,209	$ (2,500,117)	$ 3,574,761

See independent auditor's report.

LOUISIANA CHILDREN’S MEDICAL CENTER
Consolidating Balance Sheet
December 31, 2019 (in Thousands)

	LCMC	Touro	Children's	UMCMC	West Jefferson	LHAC	LHCS	ARV	Eliminations	Consolidated
Assets										
Current Assets										
Cash and Cash Equivalents	$ 6,816	$ 10,296	$ 5,340	$ 86,920	$ 10,973	$ 1,517	$ 84	$ 774	$ 33	$ 122,753
Assets Limited as to Use	-	977	-	-	-	-	-	-	-	977
Patient Accounts Receivable	1	37,991	34,125	87,032	34,186	1,439	238	-	(1,569)	193,443
Pledges Receivable, Net of Discount	-	-	714	-	-	-	-	-	-	714
Other Receivables	2,180	20,092	17,887	5,382	4,264	2,623	343	1,030	379	54,180
Supplemental Payments Receivable	-	26,648	69,349	17,100	16,024	-	-	-	-	129,121
Inventories	-	6,046	5,147	10,983	6,050	-	-	-	-	28,226
Estimated Third-Party Payor Settlements	-	-	8,391	-	-	-	-	-	-	8,391
Prepaid Expenses	9,383	1,192	3,305	35,147	9,619	646	105	22	-	59,419
Total Current Assets	18,380	103,242	144,258	242,564	81,116	6,225	770	1,826	(1,157)	597,224
Assets Limited as to Use										
Investments Designated for Capital Projects and Specific Programs	-	68,008	948,499	-	-	-	-	-	-	1,016,507
Cash Restricted by Bond Indenture, Debt Service Reserve	-	3,284	33	-	-	-	-	-	-	3,317
Donor-Restricted Long-Term Investments	-	10,409	1,937	-	-	-	-	-	-	12,346
Restricted Other	97	39	-	-	-	-	-	-	-	136
Less: Amount Required for Current Obligations	-	(977)	-	-	-	-	-	-	-	(977)
Assets Limited as to Use, Net	97	80,763	950,469	-	-	-	-	-	-	1,031,329
Pledges Receivable, Net of Discount	-	-	2,135	-	-	-	-	-	-	2,135
Investments in Joint Ventures	-	56,108	-	-	1,078	-	-	-	-	57,186
Long-Term Portion Prepaid Leases	-	-	-	225,733	176,667	-	-	-	-	402,400
Property, Plant, and Equipment, Net	121,332	131,683	315,381	34,724	43,391	-	1,084	59	-	647,654
Due from Related Party	219,628	23,000	274,311	-	-	(2,830)	(1,522)	-	(512,587)	-
Other Assets	29,333	6,473	33,083	255	4,806	250	1,066	12,401	-	87,667
Investments in Subsidiaries	1,648,971	-	-	-	-	-	-	-	(1,648,971)	-
Total Assets	$ 2,037,741	$ 401,269	$ 1,719,637	$ 503,276	$ 307,058	$ 3,645	$ 1,398	$ 14,286	$ (2,162,715)	$ 2,825,595

See independent auditor’s report.

LOUISIANA CHILDREN'S MEDICAL CENTER
Consolidating Balance Sheet (Continued)
December 31, 2019 (in Thousands)

	LCMC	Touro	Children's	UMCMC	West Jefferson	LHAC	LHCS	ARV	Eliminations	Consolidated
Liabilities and Net Assets										
Current Liabilities										
Trade Accounts Payable	$ 34,593	$ 21,078	$ 38,366	$ 77,721	$ 18,438	$ 135	$ 197	$ 451	$ (1,536)	$ 189,443
Accrued Salaries and Benefits	6,409	9,429	12,869	11,957	8,110	2,951	66	243	-	52,034
Current Maturities of Bonds Payable, Net of Deferred Financing Costs	-	3,350	-	-	-	-	-	-	-	3,350
Current Portion of Estimated Employee Health and Workers' Compensation Claims	535	1,415	806	1,982	2,268	69	27	-	-	7,102
Current Portion of Estimated Professional Liabilities Claims	1	1,587	313	743	862	20	2	-	-	3,528
Estimated Third-Party Payor Settlements	-	5,630	-	65,103	6,253	-	-	-	-	76,986
Due to Related Parties	-	6,890	-	205,789	-	-	-	-	(212,679)	-
Line of Credit	-	-	-	100,000	-	-	-	-	-	100,000
Other Current Liabilities	2,093	2,658	3,782	8,035	3,482	-	99	520	-	20,669
Total Current Liabilities	43,631	52,037	56,136	471,330	39,413	3,175	391	1,214	(214,215)	453,112
Bonds Payable, Net of Current Portion	323,982	48,414	-	-	-	-	-	-	-	372,396
Note Payable	-	-	-	252,488	-	-	-	-	-	252,488
Estimated Employee Health and Workers' Compensation Claims,									-	
Net of Current Portion	121	1,658	505	3,030	1,336	120	11	-	-	6,781
Estimated Professional Liability Claims, Net of Current Portion	18	6,509	2,331	5,300	5,473	350	33	-	-	20,014
Employee Benefits	4,522	-	5,032	-	-	-	-	-	-	9,554
Pension Liability	-	10,723	-	-	-	-	-	-	-	10,723
Due to Related Parties	-	-	-	-	298,529	-	-	1,000	(299,529)	-
Other Long-Term Liabilities	22,935	3,436	6,050	-	126	-	963	11,910	-	45,420
Total Liabilities	395,209	122,777	70,054	732,148	344,877	3,645	1,398	14,124	(513,744)	1,170,488
Noncontrolling Interest	-	640	-	-	-	-	-		-	640
Net Assets										
Without Donor Restrictions	1,642,452	267,854	1,647,646	(228,872)	(37,819)	-	-	162	(1,648,971)	1,642,452
With Donor Restrictions										
Purpose Restrictions	80	4,192	1,751	-	-	-	-	-	-	6,023
Perpetual in Nature	-	5,806	186	-	-	-	-	-	-	5,992
Total Net Assets	1,642,532	277,852	1,649,583	(228,872)	(37,819)	-	-	162	(1,648,971)	1,654,467
Total Liabilities and Net Assets	$ 2,037,741	$ 401,269	$ 1,719,637	$ 503,276	$ 307,058	$ 3,645	$ 1,398	$ 14,286	$ (2,162,715)	$ 2,825,595

See independent auditor's report.

LOUISIANA CHILDREN'S MEDICAL CENTER
Consolidating Statement of Operations
For the Year Ended December 31, 2020 (in Thousands)

	LCMC	Touro	Children's	UMCMC	West Jefferson	LHAC	LHCS	ARV	NOCS	EJGH	Eliminations	Consolidated
Unrestricted Revenues, Gains, and Other Support												
Net Patient Service Revenues	$ -	$ 303,550	$ 355,232	$ 639,117	$ 286,077	$ 23,629	$ -	$ 8,615	$ -	$ 77,957	$ (13,278)	$ 1,680,899
Other Operating Revenues	180,550	63,288	45,700	142,031	41,942	16,660	-	662	-	7,164	(182,893)	315,104
Net Assets Released from Restrictions	-	369	-	-	-	-	-	-	-	-	-	369
Total Operating Revenues	180,550	367,207	400,932	781,148	328,019	40,289	-	9,277	-	85,121	(196,171)	1,996,372
Operating Expenses												
Employee Compensation and Benefits	71,394	157,451	151,878	198,252	118,577	37,820	-	4,188	-	46,074	(10,728)	774,906
Purchased Services	61,365	81,128	61,652	103,106	64,768	1,182	-	1,189	-	20,108	(144,539)	249,959
Professional Fees	16,711	18,012	49,241	177,902	29,804	175	-	12	-	(208)	(10,078)	281,571
Supplies and Other Expenses	12,409	66,016	63,835	235,005	79,065	1,112	-	1,445	-	24,632	(5,948)	477,571
Depreciation and Amortization	20,421	21,263	20,331	26,784	14,382	-	-	1,056	-	5,014	(20,421)	88,830
Interest Expense (Income)	(171)	645	(12,322)	21,680	6,328	-	-	313	-	(7)	-	16,466
Total Operating Expenses	182,129	344,515	334,615	762,729	312,924	40,289	-	8,203	-	95,613	(191,714)	1,889,303
(Loss) Income from Operations	(1,579)	22,692	66,317	18,419	15,095	-	-	1,074	-	(10,492)	(4,457)	107,069
Investment Income (Loss)	-	7,730	126,567	-	(58)	-	-	-	-	-	-	134,239
Inherent Contribution	-	-	-	-	-	-	-	-	-	74,892	-	74,892
Other Nonoperating (Expense) Income	-	(1,335)	(3,048)	(8)	15	-	-	-	-	-	-	(4,376)
Equity in Earnings of Subsidiaries	294,033	-	-	-	-	-	-	-	-	-	(294,033)	-
Community Support, Net	(4,362)	(1,757)	(19,998)	(2,184)	(765)	-	-	-	-	-	4,459	(24,607)
Excess (Deficit) of Revenues over Expenses	$ 288,092	$ 27,330	$ 169,838	$ 16,227	$ 14,287	$ -	$ -	$ 1,074	$ -	$ 64,400	$ (294,031)	$ 287,217

See independent auditor's report.

LOUISIANA CHILDREN'S MEDICAL CENTER
Consolidating Statement of Operations
For the Year Ended December 31, 2019 (in Thousands)

	LCMC	Touro	Children's	UMCMC	West Jefferson	LHAC	LHCS	ARV	Eliminations	Consolidated
Unrestricted Revenues, Gains, and Other Support										
Net Patient Service Revenues	$ -	$ 327,808	$ 361,979	$ 654,413	$ 265,070	$ 21,367	$ -	$ 1,626	$ (11,814)	$ 1,620,449
Other Operating Revenues	151,590	26,564	15,347	76,722	15,886	15,117	-	1	(160,386)	140,841
Net Assets Released from Restrictions	-	-	-	-	-	-	-	-	-	-
Total Operating Revenues	151,590	354,372	377,326	731,135	280,956	36,484	-	1,627	(172,200)	1,761,290
Operating Expenses										
Employee Compensation and Benefits	56,778	154,956	141,977	189,126	110,284	34,842	-	826	(9,146)	679,643
Purchased Services	49,892	77,450	56,574	88,484	64,280	1,145	-	218	(123,727)	214,316
Professional Fees	11,345	18,353	48,169	165,918	24,769	77	-	1	(11,707)	256,925
Supplies and Other Expenses	16,402	68,697	63,481	234,014	74,762	420	-	420	(4,529)	453,667
Depreciation and Amortization	17,317	21,758	16,112	24,302	12,819	-	-	-	(17,317)	74,991
Interest Expense (Income)	(113)	1,160	(8,240)	21,562	6,506	-	-	-	-	20,875
Total Operating Expenses	151,621	342,374	318,073	723,406	293,420	36,484	-	1,465	(166,426)	1,700,417
(Loss) Income from Operations	(31)	11,998	59,253	7,729	(12,464)	-	-	162	(5,774)	60,873
Investment Income (Loss)	-	10,315	147,855	-	36	-	-	-	-	158,206
Other Nonoperating (Expense) Income	-	(132)	(58)	332	-	-	-	-	-	142
Equity in Earnings of Subsidiaries	204,026	-	-	-	-	-	-	-	(204,026)	-
Community Support, Net	(5,774)	(2,131)	(17,002)	(2,645)	(993)	-	-	-	5,774	(22,771)
Excess (Deficit) of Revenues over Expenses	$ 198,221	$ 20,050	$ 190,048	$ 5,416	$ (13,421)	$ -	$ -	$ 162	$ (204,026)	$ 196,450

See independent auditor's report.

LOUISIANA CHILDREN’S MEDICAL CENTER
Consolidating Statement of Changes in Net Assets
For the Year Ended December 31, 2020 (in Thousands)

	LCMC	Touro	Children's	UMCMC	West Jefferson	LHAC	LHCS	ARV	NOCS	EJGH	Eliminations	Consolidated
Changes in Net Assets Without Donor Restrictions												
Excess (Deficit) of Revenues over Expenses	$ 288,092	$ 27,330	$ 169,838	$ 16,227	$ 14,287	$ -	$ -	$ 1,074	$ -	$ 64,400	$ (294,031)	$ 287,217
Excess (Deficit) of Revenues over Expenses Attributable											-	
to Noncontrolling Interests	-	(138)	-	-	-	-	-	-	-	-	-	(138)
Adjustment to Additional Minimum Pension Liability	-	(1,168)	-	-	-	-	-	-	-	-	-	(1,168)
Contribution of Right of Use Designated Equipment	-	-	-	2,184	-	-	-	-	-	-	-	2,184
Increase (Decrease) in Net Assets Without Donor Restrictions	288,092	26,024	169,838	18,411	14,287	-	-	1,074	-	64,400	(294,031)	288,095
Changes in Net Assets With Donor Restrictions												
Contributions and Grants	-	692	1,406	-	-	-	-	-	-	-	-	2,098
Investment Income	-	1,071	-	-	-	-	-	-	-	-	-	1,071
Net Assets Released from Restrictions	(26)	(647)	(1,143)	-	-	-	-	-	-	-	-	(1,816)
(Decrease) Increase in Net Assets With Donor Restrictions	(26)	1,116	263	-	-	-	-	-	-	-	-	1,353
Increase (Decrease) in Net Assets	288,066	27,140	170,101	18,411	14,287	-	-	1,074	-	64,400	(294,031)	289,448
Net Assets, Beginning of Year	1,642,532	277,852	1,649,583	(228,872)	(37,819)	-	-	162	-	-	(1,648,971)	1,654,467
Net Assets, End of Year	$ 1,930,598	$ 304,992	$ 1,819,684	$ (210,461)	$ (23,532)	$ -	$ -	$ 1,236	$ -	$ 64,400	$ (1,943,002)	$ 1,943,915

See independent auditor’s report.

LOUISIANA CHILDREN'S MEDICAL CENTER
Consolidating Statement of Changes in Net Assets
For the Year Ended December 31, 2019 (in Thousands)

	LCMC	Touro	Children's	UMCMC	West Jefferson	LHAC	LHCS	ARV	Eliminations	Consolidated
Changes in Net Assets Without Donor Restrictions										
Excess (Deficit) of Revenues over Expenses	$ 198,221	$ 20,050	$ 190,048	$ 5,416	$ (13,421)	$ -	$ -	$ 162	$ (204,026)	$ 196,450
Excess (Deficit) of Revenues over Expenses Attributable									-	
to Noncontrolling Interests	-	(90)	-	-	-	-	-	-	-	(90)
Adjustment to Additional Minimum Pension Liability	-	(939)	-	-	-	-	-	-	-	(939)
Contribution of Right of Use Designated Equipment	-	-	-	2,800	-	-	-	-	-	2,800
Contribution of Right of Use Designated Equipment	-	-	-	-	-	-	-	-	-	-
Ownership Revisions	-	-	-	-	-	-	-	-	-	-
Increase (Decrease) in Net Assets Without Donor Restrictions	198,221	19,021	190,048	8,216	(13,421)	-	-	162	(204,026)	198,221
Changes in Net Assets With Donor Restrictions										
Contributions and Grants	-	363	1,215	-	-	-	-	-	-	1,578
Investment Income	-	1,521	-	-	-	-	-	-	-	1,521
Net Assets Released from Restrictions	(20)	(844)	(1,449)	-	-	-	-	-	-	(2,313)
(Decrease) Increase in Net Assets With Donor Restrictions	(20)	1,040	(234)	-	-	-	-	-	-	786
Increase (Decrease) in Net Assets	198,201	20,061	189,814	8,216	(13,421)	-	-	162	(204,026)	199,007
Net Assets, Beginning of Year	1,444,331	257,791	1,459,769	(237,088)	(24,398)	-	-	-	(1,444,945)	1,455,460
Net Assets, End of Year	$ 1,642,532	$ 277,852	$ 1,649,583	$ (228,872)	$ (37,819)	$ -	$ -	$ 162	$ (1,648,971)	$ 1,654,467

See independent auditor's report.

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Louisiana Children's Medical Center (LCMC Health) (the System), 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 consolidated financial statements, and have issued our report thereon dated May 14, 2021.

Internal Control Over Financial Reporting
In planning and performing our audit of the consolidated financial statements, we considered the System's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

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

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

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

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide and opinion on the effectiveness of the System's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

LaPorte

A Professional Accounting Corporation

Metairie, LA
May 14, 2021

LOUISIANA CHILDREN'S MEDICAL CENTER

Schedule of Expenditures of Federal Awards for the Year Ended
December 31, 2020, and Independent Auditor's Report

LAPORTE
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Contents

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

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

Report on Compliance for Each Major Federal Program

We have audited Louisiana Children's Medical Center's (the System) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the System's major federal programs for the year ended December 31, 2020. The System's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the 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 the System's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 the System's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

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

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

Our consideration of internal control over compliance was for the limited purpose described in the 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.

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

LaPorte

A Professional Accounting Corporation

Metairie, LA
October 14, 2021

LOUISIANA CHILDREN'S MEDICAL CENTER

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

Federal Grantor/Pass-Through Agency Program Title (per CFDA)	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures Recognized Children's Hospital	Touro Infirmary	UMCMC	West Jefferson	LCMC	Total	Passed Through to Subrecipients
U.S. Department of Justice									
Through: Louisiana Commission on Law Enforcement									
Crime Victim Assistance	16.575	2018-VA-03-4849 & 2019-VA-03-5453	$ 273,975	$ -	$ -	$ -	$ -	$ 273,975	$ -
Crime Victim Assistance	16.575	2017-VA-03-4194 & 2018-VA-03-4850	77,718	-	-	-	-	77,718	-
Total U.S. Department of Justice			351,693	-	-	-	-	351,693	-
U.S. Department of Public Safety									
Highway Safety Cluster									
Through: Louisiana Highway Safety Commission									
National Priority Safety Program	20.616	2021-20-11	-	-	20,203	-	-	20,203	-
State and Community Highway Safety	20.600	2020-20-11	-	-	128,990	-	-	128,990	-
State and Community Highway Safety	20.600	2020-55-10	-	-	92,611	-	-	92,611	-
State and Community Highway Safety	20.600	2021-55-10	-	-	24,646	-	-	24,646	-
Total Highway Safety Cluster			-	-	266,450	-	-	266,450	-
Total U.S. Department of Transportation			-	-	266,450	-	-	266,450	-
U.S. Department of Education									
Through: Louisiana Department of Education									
Special Education Grants to States	84.027A	PO#2000559762 & PO#2000297757	101,880	-	-	-	-	101,880	-
Total U.S. Department of Education			101,880	-	-	-	-	101,880	-
U.S. Department of Health and Human Services									
Direct Award									
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	6 H76HA26800-07-01	-	-	333,206	-	-	333,206	-
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	6 H76HA26800-08-01	-	-	556,155	-	-	556,155	-
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	6 H7CHA37237-01-01	-	-	102,823	-	-	102,823	-
Through: Louisiana Hospital Association									
Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	93.817		-	-	12,758	-	-	12,758	-
National Bioterrorism Hospital Preparedness Program	93.889		32,259	-	-	-	-	32,259	-
Through: City of New Orleans									
HIV Emergency Relief Project Grants	93.914	K20-206 & K20-687	-	-	1,030,573	-	-	1,030,573	-
Healthy Start Initiative	93.926	K20-955	-	-	147,727	-	-	147,727	
Through: Louisiana State University Health Science Center									
Breast and Cervical Health Program	93.898	5 NU58DP006332-03-00	-	-	26,249	-	-	26,249	-
Research and Development Cluster									
Direct Award									
Defining the Role of Management Factors in Outcome Disparity in Pediatric T1D	93.847	1R21DK118643-01A1 & 1R21DK118643-02	147,931	-	-	-	-	147,931	-

LOUISIANA CHILDREN'S MEDICAL CENTER

Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended December 31, 2020

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures Recognized: Children's Hospital	Touro Infirmary	UMCMC	West Jefferson	LCMC	Total	Passed Through to Subrecipients
Through: The University of Texas Health Science Center at Houston									
Blood Disorder Program: Prevention, Surveillance, and Research	93.080	NU27DD000020-01-00 & 5NU27DD001155-02-00	17,308	-	-	-	-	17,308	-
Great Plains Regional Hemophilia Network	93.110	5H30MC24051-09 & 5H30MC24051-08	11,049	-	-	-	-	11,049	-
Through: Boston Children's Hospital									
COVID-19: Understanding COVID-19 among critically ill children in the Pediatric Acute Lung injury and Sepsis Investigator's (PALISI) Network	93.080	75D30120C07725	8,600	-	-	-	-	8,600	-
Through: Institute for Advanced Clinical Trials for Children Inc									
I-ACT for Children Global Pediatric Clinical Trials Network	93.100	1U18FD006297-03	7,500	-	-	-	-	7,500	-
Through: The Board of Supervisors of Louisiana State University on behalf of its LSU Health Science Center									
Advanced Nurse Education-Sexual Assault Nurse Examiner Program	93.247	5 T96HP32497-03-00 & T96HP32497-02-00	3,876	-	44,805	-	-	48,681	-
Gulf South Minority/Underserved Clinical Trials Network (Gulf South M/U CTN)	93.399	5UG1CA189854-07 & 2UG1CA189854-06	125,845	-	-	-	-	125,845	-
Through: Washington University									
Sickle Cell Treatment Demonstration Program	93.365	5U1EMC27865-07-00 & 5U1EMC27865-06-00	43,759	-	-	-	-	43,759	-
Through: Emory University									
Hematopoietic Stem Cell Transplantation for Young Adults with Sickle Cell Disease-Clinical Coordinating Center	93.839	5U01HL128566-05	3,985	-	-	-	-	3,985	-
Through: The Research Institute at Nationwide Children's Hospital									
Integrative Proteomics & Metabolomics for Pediatric Glomerula Disease Biomarkers/CUREGN 2.0 - Midwest Pediatric Nephrology Consortium - PCC	93.847	5U01DK100866-08 & 2UM1DK100866-07	12,851	-	-	-	-	12,851	-
Through: Louisiana State University Agricultural and Mechanical College									
Biomedical Research and Research Training	93.859	5U54GM104940-04 & 5U54GM104940-04	75,656	-	-	-	-	75,656	-
Pragmatic Evaluation of Events and Benefits of Lipid-lowering in Older Adults	93.866	1U19AG065188-01	-	-	6,322	-	-	6,322	-
Through: Olive View-UCLA Education and Research Institute									
COVID-19: COVID Evaluation of Risk for Emergency Departments	93.860	1U01CK000480-01 & 6U01CK000480-05-1	-	-	15,417	-	-	15,417	-
Through: Duke University									
Building and Deploying a Genomic-Medicine Risk Assessment Model f or Diverse Primary Care Populations	93.172	5U01HG010231-03	-	-	87,352	-	-	87,352	-
Through: Hudson Alpha Institute for Biotechnology									
DNA Sequencing for Newborn Nurseries	93.172	5U01HG007301-07 Revised & 5U01HG007301-05	138,773	-	-	-	-	138,773	-
Through: University of Kansas Medical Center Research Institute									
Feeding Protocol for Children with Chronic Medical Conditions	93.865	5R01HD093933-02	4,599	-	-	-	-	4,599	-
Total Research and Development Cluster			601,732	-	153,896	-	-	755,628	-
Total U.S. Department of Health and Human Services			633,991	-	2,363,387	-	-	2,997,378	-
U.S. Department of Homeland Security:									
Through: State of Louisiana									
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		-	431,649	-	-	9,156,941	9,588,590	-
Total U.S. Department of Homeland Security			-	431,649	-	-	9,156,941	9,588,590	-
Total Expenditures of Federal Awards			$ 1,087,564	$ 431,649	$ 2,629,837	$ -	$ 9,156,941	$ 13,305,991	$ -

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Children's Hospital, Touro Infirmary and its Subsidiaries (Touro Infirmary), University Medical Center Medical Corporation (UMCMC), West Jefferson, and LCMC Health under programs of the federal government for the year ended December 31, 2020 and is presented on the full accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the System, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the System.

Note 2. De Minimis Cost Rate

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

LOUISIANA CHILDREN'S MEDICAL CENTER

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2020

Part I - Summary of Auditor's Results

Financial Statement Section

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

Federal Awards Section

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

Identification of Major Programs:

Title	CFDA Number
Crime Victim Assistance	16.575
Disaster Grants - Public Assistance	97.036

Dollar Threshold used to Distinguish between Type A and Type B Programs:	$750,000
Auditee Qualified as Low-Risk Auditee?	Yes

Part II - Schedule of Financial Statement Findings Section

None.

Part III - Federal Awards Findings and Questioned Costs Section

None.

Summary Schedule of Prior Year Findings
For the Year Ended December 31, 2020

Part I - Financial Statement Findings

None.

Part II - Federal Award Findings and Questioned Costs

None.