LOUISIANA CHILDREN'S MEDICAL CENTER

Consolidated Financial Statements
and Supplementary Information
as of and for the Years Ended
December 31, 2021 and 2020,
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 Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Louisiana Children's Medical Center (the System) which comprise the consolidated balance sheets as of December 31, 2021 and 2020, the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the System as of December 31, 2021 and 2020, and the results of their operations, changes in net assets, and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of 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.

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

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

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

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

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

Supplementary 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, 2021 and 2020 and the schedule of compensation, benefits, and other payments to agency head 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 27, 2022, 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 27, 2022

LOUISIANA CHILDREN'S MEDICAL CENTER
Consolidated Balance Sheets
December 31, 2021 and 2020 (in Thousands)

	2021	2020
Assets		
Current Assets		
Cash and Cash Equivalents	$ 175,980	$ 307,469
Patient Accounts Receivable	220,721	219,596
Other Receivables	213,698	162,150
Inventories	47,908	45,946
Prepaid Expenses and Other	61,104	59,638
Total Current Assets	719,411	794,799
Assets Limited as to Use		
Investments Designated for Capital Projects and Specific Programs	1,415,219	1,300,193
Restricted by Bond Indenture, Debt Service Reserve	3,294	8,086
Donor-Restricted Long-Term Investments	15,794	13,800
Restricted Other	180	189
Less: Amount Required for Current Obligations	(973)	(999)
Assets Limited as to Use, Net	1,433,514	1,321,269
Investments in Joint Ventures	45,536	46,868
Long-Term Portion of Prepaid Leases	373,412	388,164
Property, Plant, and Equipment, Net	1,025,122	916,308
Finance Lease Assets	14,647	12,268
Other Assets	116,454	81,894
Total Assets	$ 3,728,096	$ 3,561,570

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

LOUISIANA CHILDREN'S MEDICAL CENTER
Consolidated Balance Sheets (Continued)
December 31, 2021 and 2020 (in Thousands)

	2021	2020
Liabilities and Net Assets		
Current Liabilities		
Trade Accounts Payable	**$ 225,726**	$ 197,271
Accrued Salaries and Benefits	**89,627**	86,132
Current Portion of Medicare Advance Payments	**99,407**	46,394
Estimated Third-Party Payor Settlements	**76,091**	101,733
Deferred Revenue	**14,083**	57,584
Line of Credit	**50,000**	-
Current Finance Lease Liabilities	**1,663**	646
Other Current Liabilities	**54,946**	67,286
Total Current Liabilities	**611,543**	557,046
Medicare Advance Payments, Net of Current Portion	**-**	92,313
Bonds Payable, Net of Current Portion	**812,099**	566,854
Notes Payable	**28,000**	273,907
Finance Lease Liabilities	**13,340**	11,944
Deferred Revenue, Net of Current Portion	**167,919**	-
Other Long-Term Liabilities	**105,959**	115,001
Total Liabilities	**1,738,860**	1,617,065
Noncontrolling Interest	**1,157**	590
Net Assets		
Without Donor Restrictions	**1,973,401**	1,930,544
With Donor Restrictions		
Purpose Restrictions	**8,730**	7,373
Perpetual in Nature	**5,948**	5,998
Total Net Assets	**1,988,079**	1,943,915
Total Liabilities and Net Assets	**$ 3,728,096**	$ 3,561,570

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, 2021 and 2020 (in Thousands)

	2021	2020
Revenues, Gains, and Other Support Without Donor Restrictions		
Net Patient Service Revenues	**$ 2,047,713**	$ 1,680,899
Other Operating Revenues	**239,866**	315,104
Net Assets Released from Restrictions	**549**	369
Total Operating Revenues	**2,288,128**	1,996,372
Operating Expenses		
Employee Compensation and Benefits	**983,728**	774,906
Purchased Services	**278,400**	249,959
Professional Fees	**322,471**	281,571
Supplies and Other Expenses	**613,122**	477,571
Depreciation and Amortization	**114,119**	88,830
Interest Expense, Net	**16,770**	16,466
Total Operating Expenses	**2,328,610**	1,889,303
(Loss) Income from Operations	**(40,482)**	107,069
Investment Income	**111,003**	134,239
Inherent Contribution	**-**	74,892
Other Nonoperating Expense	**(3,587)**	(4,376)
Community Support, Net	**(25,276)**	(24,607)
Excess of Revenues over Expenses	**$ 41,658**	$ 287,217

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, 2021 and 2020 (in Thousands)

	2021	2020
Changes in Net Assets Without Donor Restrictions		
Excess of Revenues over Expenses	**$ 41,658**	$ 287,217
Excess of Revenues over Expenses Attributable to Noncontrolling Interests	**(617)**	(138)
Adjustment to Additional Minimum Pension Liability	**1,817**	(1,168)
Contribution of Right of Use Designated Equipment	**-**	2,184
Increase in Net Assets Without Donor Restrictions	**42,858**	288,095
Changes in Net Assets With Donor Restrictions		
Contributions and Grants	**3,979**	2,098
Investment Income	**971**	1,071
Net Assets Released from Restrictions	**(3,644)**	(1,816)
Increase in Net Assets With Donor Restrictions	**1,306**	1,353
Increase in Net Assets	**44,164**	289,448
Net Assets, Beginning of Year	**1,943,915**	1,654,467
Net Assets, End of Year	**$ 1,988,079**	$ 1,943,915

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, 2021 and 2020 (in Thousands)

	2021	2020
Cash Flows from Operating Activities		
Increase in Net Assets	$ 44,164	$ 289,448
Adjustments to Reconcile Increase in Net Assets		
to Net Cash Provided by Operating Activities		
Adjustment to Pension Liability	(1,817)	1,168
Noncontrolling Interest in Income of Consolidated Subsidiaries	617	138
Depreciation and Amortization	114,119	88,830
Depreciation Related to Community Support	848	842
Amortization of Debt Issuance Costs Included in Interest Expense	(191)	(568)
Contribution of Capital Assets	-	(2,184)
Equity in Earnings of Investments in Joint Ventures	(4,848)	(12,008)
Net Realized and Unrealized Investment Income	(111,928)	(136,500)
Inherent Contributions from Business Combinations	-	(74,892)
Payments on Finance Lease Liabilities	1,433	612
(Increase) Decrease in:		
Patient Accounts Receivable	(1,125)	4,841
Other Receivables and Supplemental Payments Receivable	(51,133)	32,848
Inventories	(1,962)	(8,864)
Prepaid Expenses	(1,616)	5,394
Other Assets	(37,221)	6,687
Increase (Decrease) in:		
Trade Accounts Payable	25,982	3,513
Accrued Salaries and Benefits	3,495	29,784
Third-Party Payor Settlements	(64,942)	141,012
Deferred Revenue	113,552	56,878
Other Liabilities	(17,402)	24,379
Net Cash Provided by Operating Activities	10,025	451,358
Cash Flows from Investing Activities		
Distributions of Earnings of Investments in Joint Ventures	5,073	12,008
Capital Expenditures	(195,690)	(192,470)
Acquisitions of Businesses, Net of Cash Acquired	-	(59,993)
Purchases of Investments	(504,766)	(636,492)
Proceeds from Sales of Investments	504,466	483,083
Net Cash Used in Investing Activities	(190,917)	(393,864)

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, 2021 and 2020 (in Thousands)

	2021	2020
Cash Flows from Financing Activities		
Proceeds from Issuance of Bonds	**254,405**	198,130
Premium Received from Issuance of Bonds	**-**	6,105
Proceeds from Note Payable	**6,701**	21,299
Borrowing (Repayment) of Line of Credit, Net	**50,000**	(100,000)
Repayments of Bonds Payable	**(6,915)**	(3,350)
Repayments of Notes Payable	**(253,000)**	-
Payments on Finance Lease Liabilities	**(1,433)**	(612)
Return of Capital from Investment in Subsidiary	**1,107**	10,318
Payments of Debt Issuance Costs	**(1,412)**	(4,479)
Distributions Paid to Noncontrolling Interest	**(50)**	(188)
Net Cash Provided by Financing Activities	**49,403**	127,223
Net (Decrease) Increase in Cash and Cash Equivalents	**(131,489)**	184,716
Cash and Cash Equivalents, Beginning of Year	**307,469**	122,753
Cash and Cash Equivalents, End of Year	**$ 175,980**	$ 307,469
Supplemental Disclosures of Cash Flow Information		
Cash Paid for Interest	**$ 36,320**	$ 34,547
Non-Cash Disclosures:		
Property, Plant, and Equipment Purchases in Accounts Payable	**$ 12,451**	$ 9,978

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 Audubon Retirement Village (ARV), 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). Other subsidiaries of LCMC Health include LCMC Health Anesthesia Corporation (LHAC), LCMC Health Clinical Services (LHCS), New Orleans Clinical Services (NOCS), LCMC Healthcare Partners (LHPL), and LCMC Health Clinical Support (LHCSP). All entities mentioned above 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. 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.

Touro Infirmary is New Orleans' only community-based, not-for-profit, faith-based hospital. Touro Infirmary operates as a general acute care hospital with 299 staffed beds.

UMCMC operates University Medical Center New Orleans (UMC), a 446-bed public, research and academic hospital. UMC supports the programs, facilities and research and educational opportunities offered by Louisiana State University (LSU),

UMC has academic affiliation agreements with LSU, Tulane University, 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.

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.

Through LSU, ARV operates the John J. Hainkel Jr. Home and Rehabilitation Center (Nursing Home) with the public purpose of establishing a Geriatric Training Nursing Facility 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.

Note 1. Organization (Continued)

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.

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, ARV, NOCS, LHPL, and LHCSP. All significant intercompany transactions have been eliminated in consolidation.

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 a component unit of the City of New Orleans.

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.

Note 2. Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

Cash and cash equivalents include certain investments in highly liquid debt instruments with a remaining maturity of three months or less when purchased, 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.

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.

Notes to Consolidated Financial Statements (All amounts in Thousands)

Note 2. Summary of Significant Accounting Policies (Continued)

Leases (Continued)
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.

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, both of which are defined in Note 19, 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

Note 2. Summary of Significant Accounting Policies (Continued)

Impairment of Long-Lived Assets

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

The System determines recoverability of the assets by comparing their carrying amount to the net future undiscounted cash flows that the asset is expected to generate or estimated fair values in the case of 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, advance rent payments, in the amount of $253,000, were made.

As of December 31, 2021 and 2020, the amounts classified as current were approximately $10,050 and are included within prepaid expenses and other on the consolidated balance sheets. As of December 31, 2021 and 2020, the amounts classified as non-current were approximately $205,634 and $215,683, respectively.

In accordance with the WJ CEA, an advance rent payment in the amount of $200,000 was made. As of December 31, 2021 and 2020, the amounts classified as current were approximately $4,444 and are included within prepaid expenses and other on the consolidated balance sheets. As of December 31, 2021 and 2020, the amounts classified as non-current were approximately $167,778 and $172,222, respectively.

Deferred Financing Costs and Original Issue Premium

As presented in Note 10, 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 $7,960 and $7,067 at December 31, 2021 and 2020, respectively.

Original issue premiums are presented net of accumulated amortization. Net original issue premiums total approximately $23,171 and $24,291 at December 31, 2021 and 2020, respectively.

Note 2. Summary of Significant Accounting Policies (Continued)

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.

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.

Note 2. Summary of Significant Accounting Policies (Continued)

Fair Value of Financial Instruments (Continued)

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.

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.

Note 2. Summary of Significant Accounting Policies (Continued)

Patient Service Revenue (Continued)

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.

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.

Note 2. Summary of Significant Accounting Policies (Continued)

Patient Service Revenue (Continued)

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.

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 2021 or 2020.

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 $20,203 and $9,233 in 2021 and 2020, respectively.

Note 2. Summary of Significant Accounting Policies (Continued)

Grants, Contributions, and Gifts With Donor Restrictions

From time to time, the System receives grants from individuals, private entities, 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.

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.

Note 2. Summary of Significant Accounting Policies (Continued)

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, 2021 and 2020, estimated costs associated with providing financial assistance, throughout the System, were approximately $46,607 and $56,394, respectively.

Coronavirus Aid, Relief, and Economic Security Act

In response to the economic impact of COVID-19, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was enacted by Congress and was subsequently signed into law on March 27, 2020. The CARES Act included a variety of economic assistance provisions for businesses and individuals. Under certain provisions in the CARES Act, the System received approximately $213,052 in Provider Relief Funds during the year ended December 31, 2020. Of that total, the System recognized approximately $160,952, which is included within other operating revenue for the year ended December 31, 2020. The System deferred recognition of the difference of approximately $52,100 as reflected on the consolidated balance sheet at December 31, 2020. For the year ended December 31, 2021, the System received approximately $3,000 and recognized approximately $55,072 of revenue related to Provider Relief Funds which is included within other operating revenue. During 2020, the System also deferred payment of approximately $22,796 for the employer portion of the Social Security payroll tax as allowed by the CARES Act. At least fifty percent (50%) of the deferred taxes were required to be paid by December 31, 2021, with the remainder to be paid by December 31, 2022. At December 31, 2021 and 2020, approximately $11,548 and $11,398 is included as a component of accrued salaries and benefits and $0 and $11,398 is included as a component of other long-term liabilities, respectively.

Note 2. Summary of Significant Accounting Policies (Continued)

Coronavirus Aid, Relief, and Economic Security Act (Continued)

Under the CARES Act, the System also received approximately $138,706 in advances under the Medicare Accelerated and Advance Payments Program (AAPP) in April 2020. Through the Continuing Appropriations Act, 2021, and Other Extensions Act that was enacted October 1, 2020, recoupment of these advances began one year after the date of the initial receipt of the advances. Recoupment continues until repaid in full, but no later than 17 months after recoupment begins. During the year ended December 31, 2021, approximately $39,300 was recouped.

The System has classified these advances as Medicare Advance Payments on its consolidated balance sheets. At December 31, 2021 and 2020, approximately $99,407 and $46,394, respectively, is classified as a current liability, with approximately $92,313 as a non-current liability at December 31, 2020.

Recently Adopted Accounting Pronouncements

Effective January 1, 2021, the System adopted 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. The System used a retrospective method to adopt ASU 2017-12 on January 1, 2021. There was no impact on the System's total excess of revenues over expenses or total net assets from adoption.

Effective January 1, 2021, the System adopted 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. There was no impact on the System's total excess of revenues over expenses or total net assets from adoption.

Pending Accounting Pronouncements

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This guidance is effective for fiscal years beginning after June 15, 2021. The adoption of ASU 2020-07 is not expected to have a significant impact on the System's consolidated financial statements.

Note 2. Summary of Significant Accounting Policies (Continued)

Pending Accounting Pronouncements (Continued)

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

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 $75,500, of which approximately $30,500 have no expiration as to their use while approximately $45,000 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

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. The statute of limitations remains open for tax years ended 2018 through 2020.

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 significant payment arrangements with major third-party 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, 2021 and 2020, LCMC Health has recognized approximately $165,196 and $149,135, respectively, under the FMP/UPL program classifying it within net patient service revenue on the consolidated statements of operations. At December 31, 2021 and 2020, respectively, approximately $98,966 and $87,831 of these revenues were not yet collected and therefore included in other receivables 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 $302,141 and $259,273 for Medicaid disproportionate share revenues in net patient service revenues, for the years ended December 31, 2021 and 2020, respectively. At December 31, 2021 and 2020, respectively, approximately $44,605 and $9,895 of these revenues were not yet collected and therefore included in other receivables in the consolidated balance sheets.

During 2021 and 2020, the System received approximately $6,010 and $5,318 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, 2021 and 2020, of approximately $37,961 and $30,907, respectively, which is included within net patient service revenue. The System recorded a related receivable of approximately $22,917 and $17,691 within other receivables at December 31, 2021 and 2020, respectively.

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.

Note 3. Patient Service Revenues (Continued)

Medicare (Continued)
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.

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 $20,203 and $9,233 in 2021 and 2020, 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.

Notes to Consolidated Financial Statements (All amounts in Thousands)

Note 3. Patient Service Revenues (Continued)

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

	2021			2020		
	Inpatient	Outpatient	Total	Inpatient	Outpatient	Total
Medicaid	$ 232,101	$ 235,579	$ 467,680	$ 212,780	$ 168,727	$ 381,507
UPL/FMP/MCIP	176,642	28,599	205,241	158,786	26,471	185,257
DSH	214,123	112,952	327,075	165,686	93,587	259,273
Medicare	125,622	123,806	249,428	228,174	109,634	337,808
Guarantor/Patient/Other	(2,344)	35,485	33,141	(5,576)	5,128	(448)
Other Third-Party						
Commercial	196,146	227,807	423,953	131,245	128,226	259,471
Managed Medicare	174,029	147,105	321,134	124,566	112,721	237,287
Eldercare	20,061	-	20,061	20,744	-	20,744
Net Patient Service Revenue	$1,136,380	$ 911,333	$2,047,713	$1,036,405	$ 644,494	$1,680,899

Note 4. Assets Limited as to Use

At December 31, 2021 and 2020, assets limited as to use are invested as allowed and consist of the following investment categories:

	2021	2020
Marketable Equity Securities	$ 796,154	$ 697,751
Other Fixed Income Securities	596,724	570,094
Money Market Funds, Certificates of Deposit, and Commercial Paper	39,946	52,874
Corporate Bonds	1,129	1,015
State of Israel Bonds	500	500
U.S. Government Securities	34	34
Total	$ 1,434,487	$ 1,322,268

At December 31, 2021, the System has approximately $38,027 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.

Notes to Consolidated Financial Statements (All amounts in Thousands)

Note 5. Derivative Instruments

The System entered into derivative instruments consisting of interest rate swap agreements. At December 31, 2021, 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	$	5,100	6.125%		SIFMA Municipal Swap Index	Touro
April 24, 2015 (amended December 5, 2016)	October 1, 2023	$	37,080	3.900%		SIFMA Municipal Swap Index plus the Spread	Touro
June 9, 2021	June 9, 2026	$	79,610	6.35%	*	USD-LIBOR-BBA	Children's
June 9, 2021	June 9, 2026	$	31,000	6.85%	*	USD-LIBOR-BBA	Children's
June 9, 2021	June 9, 2026	$	53,585	6.85%	*	USD-LIBOR-BBA	Children's
June 9, 2021	June 9, 2026	$	90,210	7.00%	*	USD-LIBOR-BBA	Children's

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	6.125%		SIFMA Municipal Swap Index	Touro
April 24, 2015 (amended December 5, 2016)	October 1, 2023	$	40,160	3.900%		SIFMA Municipal Swap Index plus a spread	Touro
April 1, 2014 (amended December 24, 2018)	October 1, 2023	$	125,000	5.50%	*	USD-LIBOR-BBA	Children's
April 1, 2014 (amended December 24, 2018)	October 1, 2021	$	128,000	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%.

Notes to Consolidated Financial Statements (All amounts in Thousands)

Note 5. Derivative Instruments (Continued)

Interest expense associated with the debt instruments was reduced by the realized gains and interest earnings from the swaps' effectiveness by approximately $14,544 and $13,930 in 2021 and 2020, respectively. At December 31, 2021 and 2020, certain of these agreements had carrying values (which approximates fair value) in an asset position of approximately $3,779 and $4,202, respectively, which are recorded in other receivables.

With respect to the derivative instruments held at December 31, 2021 and 2020, 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 the consolidated balance sheets at December 31st:

Component of Lease Balances	Classification in Consolidated Balance Sheet	December 31, 2021	December 31, 2020
Assets			
Finance Lease Assets	Finance Lease Assets	$ 14,647	$ 12,268
Operating Lease Assets	Other Assets	61,133	47,147
Total Lease Assets		$ 75,780	$ 59,415
Liabilities			
Finance Lease Liabilities			
Current	Current Finance Lease Liabilities	$ 1,663	$ 646
Long-Term	Finance Lease Liabilities	13,340	11,944
Operating Lease Liabilities			
Current	Other Current Liabilities	7,117	7,636
Long-Term	Other Long-Term Liabilities	47,625	41,001
Total Lease Liabilities		$ 69,745	$ 61,227

Notes to Consolidated Financial Statements (All amounts in Thousands)

Note 6. Leases (Continued)

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:

	Year Ending December 31, 2021	2020
Finance Lease Cost:		
Amortization of Right-of-Use Assets Recorded in Depreciation and Amortization	$ 1,431	$ 887
Interest on Lease Liabilities Recorded in Interest Expense	405	268
Operating Lease Cost Recorded in Supplies and Other Expenses	10,105	7,469
Short-Term Lease Cost Recorded in Supplies and Other Expenses	14,122	13,861
Total Lease Cost	$ 26,063	$ 22,485
Other Information		
Cash Paid for Amounts Included in the Measurement of Lease Liabilities		
Operating Cash Flows from Finance Leases	$ 405	$ 268
Operating Cash Flows from Operating Leases	9,177	6,761
Financing Cash Flows from Finance Leases	1,433	612
Right-of-Use Assets Obtained in Exchange for New Finance Lease Liabilities	3,810	13,302
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	23,224	17,859
Weighted-Average Remaining Lease Term--Finance Leases	12.8 years	13.8 years
Weighted-Average Remaining Lease Term--Operating Leases	7.9 years	8.8 years
Weighted-Average Discount Rate--Finance Leases	2.23%	2.03%
Weighted-Average Discount Rate--Operating Leases	3.00%	3.00%

Future maturities of lease liabilities at December 31, 2021, are presented in the following table:

	Operating Leases	Finance Leases
2022	$ 8,646	$ 2,024
2023	7,641	2,048
2024	6,789	2,071
2025	6,379	995
2026	6,178	1,020
Thereafter	27,354	8,924
Total Lease Payments	62,987	17,082
Less: Imputed Interest	(8,245)	(2,079)
Total Lease Obligations	54,742	15,003
Less: Current Obligations	(7,117)	(1,663)
Long-Term Lease Obligations	$ 47,625	$ 13,340

Notes to Consolidated Financial Statements (All amounts in Thousands)

Note 7. Property, Plant, and Equipment

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

	2021	2020
Land and Land Improvements	$ 113,960	$ 112,855
Leasehold Improvements	1,524	1,442
Buildings	737,223	561,876
Fixed Equipment	177,437	175,979
Major Moveable Equipment	732,243	604,638
	1,762,387	1,456,790
Less: Accumulated Depreciation	(864,326)	(767,326)
Construction in Progress	127,061	226,844
Property, Plant and Equipment, Net	$ 1,025,122	$ 916,308

Depreciation expense on depreciable assets was approximately $101,283 and $76,008 for the years ended December 31, 2021 and 2020, respectively.

Note 8. Investments in Joint Ventures

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 2021 present equity earnings of $5,330, distributions of $6,837, capital contributions of $175, and total equity at December 31, 2021 of $45,536. For the year ended December 31, 2020, equity earnings of $12,008, distributions of $22,326, capital contributions of $-0-, and total equity at December 31, 2020 of $46,868.

Note 9. Line of Credit

In 2020, LCMC Health entered into a revolving line of credit agreement with J.P. Morgan Chase Bank, N.A. in an initial aggregate amount of $50,000. The revolver has an accordion feature providing for additional borrowing capacity up to $100,000. The initial revolving line of credit was executed on June 30, 2020 and the terms were subsequently modified in February 2021. In February 2022, the terms were amended to a revolving line up to $70,000. The interest rate on any advances on the line of credit was modified from LIBOR plus 1.00%, to the secured overnight financing rate (SOFR) plus an adjustment of ten basis points. Interest is payable quarterly. The Non-Usage Fee has been amended from fifteen basis points to ten basis points. The line of credit matures in February 2023. At December 31, 2021 and 2020, the outstanding balance was $50,000 and $-0-, respectively.

Notes to Consolidated Financial Statements (All amounts in Thousands)

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:

	2021	2020
Series 1993 Bonds Interest fixed at 6.125%, principal and interest payable annually through maturity on August 15, 2027.	$ 5,100	$ 8,935
Series 2015 Bonds Interest fixed at 3.90%, principal and interest payable annually beginning in 2020 through maturity in 2029.	37,080	40,160
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

Notes to Consolidated Financial Statements (All amounts in Thousands)

Note 10. Bonds Payable (Continued)

	2021	2020
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	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	40,850
Taxable:		
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	102,280
Series 2021 A1 Bonds - Fixed Rate Mode Interest of 6.35%, payable semi-annually Principal due at maturity in 2031	79,610	-
Series 2021-A1.2 Bonds - Fixed Rate Mode Interest at 6.85%, payable semi-annually Principal due at maturity in 2041	31,000	-
Series 2021-B1.1 - Fixed Rate Mode Interest at 6.85%, payable semi-annually Principal due at maturity in 2041	53,585	-
Series 2021-B1.2 - Fixed Rate Mode Interest at 7.00%, payable semi-annually Principal due at maturity in 2051	90,210	-
	801,785	554,295
Plus: Unamortized Original Issue Premium	23,171	24,291
Less: Unamortized Original Issue Discount	(37)	(55)
Less: Debt Issuance Costs, Net of Amortization	(7,960)	(7,067)
	816,959	571,464
Less: Current Maturities of Bonds Payable	(4,860)	(4,610)
Bonds Payable - Long-Term	$ 812,099	$ 566,854

Notes to Consolidated Financial Statements (All amounts in Thousands)

Note 10. Bonds Payable (Continued)

The current maturities of bonds payable are included within other current liabilities on the consolidated balance sheets.

At December 31, 2021, scheduled repayments of principal and sinking fund installments to retire the bonds are as follows:

2022	$	4,860
2023		3,230
2024		5,405
2025		5,614
2026		5,835
Thereafter		776,841
Total	$	801,785

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. Interest, at a rate of 7.25%, is payable on April 1st and October 1st. Maturity was set for April 1, 2024. In June 2021, these notes were paid in full upon the issuance of the Series 2021 Bonds that are presented within Note 10.

Fixed Rate Draw Note
UMCMC has a $28,000 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, 2021 was 3.73%. 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. It is secured on a parity with the Series 2021A Obligation.

Notes to Consolidated Financial Statements (All amounts in Thousands)

Note 11. Notes Payable (Continued)

Fixed Rate Draw Note (Continued)
At December 31st, notes payable consists of the following:

		2021		2020
Series 2014 Notes Payable	$	-	$	253,000
Less: Debt Issuance Costs, Net of Amortization		-		(392)
		-		252,608
Fixed Rate Draw Note		28,000		21,299
Non-Current Portion of Notes Payable	$	28,000	$	273,907

Note 12. Employee Retirement Plans

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

The LCMCRS Plan is a single-employer defined contribution plan sponsored by LCMC Health covering all eligible employees of LCMC Health and the following participating affiliates: Children's, CHMPC, Touro Infirmary, Woldenberg, UMCMC, EJGH, LCMC Health Clinical Services d/b/a NOLA Physician Group and West Jefferson.

With the exception of Woldenberg, employer contributions are comprised of a nonelective 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, 2021 and 2020, were approximately $21,710 and $16,843, 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.

Note 12. Employee Retirement Plans (Continued)

Defined Contribution Plans (Continued)

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, 2021 and 2020, were approximately $891 and $793, 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, 2021 and 2020 were approximately $1,063 and $629, respectively.

ARV employees do not participate in any System sponsored plan.

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. Effective January 1, 2016, the Plan was amended to eliminate pay credits and to eliminate the addition of participants.

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

The System's consolidated financial statements include net periodic pension gain of approximately $216 for the year ended December 31, 2021 and net periodic pension expense of approximately $79 for the year ended December 31, 2020. Contributions of $820 and $2,760, respectively, were made during the years ended December 31, 2021 and 2020. As of December 31, 2021 and 2020, the System has unfunded liabilities associated with this plan totaling approximately $6,356 and $9,210, respectively.

Notes to Consolidated Financial Statements (All amounts in Thousands)

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, 2021 and 2020 using the projected unit credit method with salary progression.

	2021	2020
Change in Benefit Obligation		
Benefit Obligation at Beginning of Year	$ 40,909	$ 39,361
Interest Cost	907	1,170
Actuarial Loss	(1,286)	3,678
Benefits Paid	(2,948)	(3,300)
Benefit Obligation at End of Year	37,582	40,909
Change in Plan Assets		
Fair Value of Plan Assets at Beginning of Year	31,699	28,638
Actual Return on Plan Assets	1,655	3,601
Benefits Paid	(2,948)	(3,300)
Employer Contributions	820	2,760
Fair Value of Plan Assets at End of Year	31,226	31,699
(Underfunded) Status	$ (6,356)	$ (9,210)
Net Periodic Pension Cost		
Interest Cost	$ 907	$ 1,170
Actuarial Gain on Plan Assets	(1,655)	(3,601)
Net Amortization	532	2,510
Net Periodic (Gain) Cost	$ (216)	$ 79

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

	2021	2020
Unrecognized Experience Loss	$ 10,521	$ 12,338
Total Accrued Benefit Cost	$ 10,521	$ 12,338

Notes to Consolidated Financial Statements (All amounts in Thousands)

Note 12. Employee Retirement Plans (Continued)

Defined Benefit Pension Plan (Continued)

Amounts included in net assets at December 31, 2021, that are expected to be amortized into net periodic post-retirement cost during 2022 total approximately $225.

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

	2021	2020
Discount Rate, Obligation	2.70%	2.30%
Discount Rate, Periodic Cost	2.30%	3.10%
Expected Return on Plan Assets	7.00%	7.00%
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:

	2021	2020	Target Allocation
Domestic Equity	24.5%	23.7%	23%
International Equity	17.9%	19.3%	18%
Fixed Income	27.3%	30.2%	30%
Cash/Short-Term Fixed Income	26.3%	23.0%	25%
Real Assets	4.0%	3.8%	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.

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

Notes to Consolidated Financial Statements (All amounts in Thousands)

Note 12. Employee Retirement Plans (Continued)

Defined Benefit Pension Plan (Continued)

The following tables set forth by level, within the fair value hierarchy, the Plan's investments at fair value as of December 31, 2021 and 2020:

2021	Level 1	Level 2	Total
Domestic Equity	$ 7,638	$ -	$ 7,638
International Equity	5,588	-	5,588
Fixed Income	1,585	6,948	8,533
Cash/Short-Term Fixed Income	8,205	-	8,205
Real Assets	1,262	-	1,262
Total	$ 24,278	$ 6,948	$ 31,226

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

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.

Notes to Consolidated Financial Statements (All amounts in Thousands)

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 $-0- to the defined benefit pension plan in 2022.

At December 31, 2021 and 2020, Touro Infirmary's plan had accumulated benefit obligations of approximately $37,582 and $40,909, 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, 2021, are as follows:

2022	$	1,780
2023		1,830
2024		1,750
2025		1,820
2026		1,900
Thereafter		8,240
Total	$	17,320

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 $240 and $325 at December 31, 2021 and 2020, 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, 2021 and 2020, the System's total liability for these plans is approximately $16,600 and $12,318, respectively, and is included in accrued salaries and benefits on the consolidated balance sheets. Related assets of approximately $16,600 and $12,318 at December 31, 2021 and 2020, respectively, are recorded in other assets on the consolidated balance sheets to fully settle these plan liabilities.

Notes to Consolidated Financial Statements (All amounts in Thousands)

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:

	2021		2020	
Medicare	20	%	26	%
Medicaid	29		26	
Other Third-Party Payors	46		44	
Patients/Guarantor/Other	4		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 $8,730 at December 31, 2021 and $7,373 at December 31, 2020, respectively.

Note 14. Net Assets with Donor Restrictions (Continued)

They are also comprised of endowments that are subject to the spending policy of the System totaling approximately $5,948 at December 31, 2021 and $5,998 at December 31, 2020, respectively.

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 $3,644 and $1,816 for the years ended December 31, 2021 and 2020, 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.

Notes to Consolidated Financial Statements (All amounts in Thousands)

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, 2021 is as follows:

	Without	With Donor Restrictions		
	Donor Restrictions	Purpose	Perpetual in Nature	Total
Donor-Restricted Endowment Funds	$ -	$ -	$ 5,948	$ 5,948
Undesignated Funds	-	-	-	-
Total	$ -	$ -	$ 5,948	$ 5,948

A summary of the changes in the System's Endowment Net Assets for the year ended December 31, 2021 is as follows:

	Without	With Donor Restrictions		
	Donor Restrictions	Purpose	Perpetual in Nature	Total
Net Assets, Beginning of Year	$ -	$ -	$ 5,998	$ 5,998
Investment Return				
Net Appreciation (Realized and Unrealized)	-	-	(50)	(50)
Total Investment Return	-	-	(50)	(50)
Net Assets, End of Year	$ -	$ -	$ 5,948	$ 5,948

Notes to Consolidated Financial Statements (All amounts in Thousands)

Note 15. Endowment (Continued)

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

	Without Donor Restrictions	With Donor Restrictions Purpose	With Donor Restrictions 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:

	Without Donor Restrictions	With Donor Restrictions Purpose	With Donor Restrictions Perpetual in Nature	Total
Net Assets, Beginning of Year	$ -	$ -	$ 5,992	$ 5,992
Contributions	-	-	6	6
Net Assets, End of Year	$ -	$ -	$ 5,998	$ 5,998

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 $4,134 and $4,235 at December 31, 2021 and 2020, respectively. Distributions of income are made at the discretion of the trustee. For the years ended December 31, 2021 and 2020, Children's recorded contribution income of approximately $197 and $130, respectively, received from the trust.

Notes to Consolidated Financial Statements (All amounts in Thousands)

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, 2021 and 2020, expenses related to providing these services are as follows:

	Program											
December 31, 2021	Adult	Pediatric	Medical Education	Physicians Group	Senior Care	Eliminations	Total	Management and General	Eliminations	Total	Fundraising	Total
Operating Expenses												
Employee Compensation and Benefits	$ 305,070	$ 141,471	$ 173,467	$ 174,894	$ 13,025	$ (13,222)	$ 794,705	$ 191,300	$ (3,145)	$ 188,155	$ 868	$ 983,728
Purchased Services	89,539	29,287	9,560	13,064	3,730	(2,393)	142,787	262,784	(130,335)	132,449	3,164	278,400
Professional Fees	64,146	53,892	181,253	19,388	145	(15,359)	303,465	18,529	-	18,529	477	322,471
Supplies and Other Expenses	237,608	65,027	204,697	21,370	3,302	(3,039)	528,965	85,557	(2,983)	82,574	1,583	613,122
Depreciation and Amortization	44,098	22,208	-	1,245	2,070	-	69,621	66,862	(22,557)	44,305	193	114,119
Interest	39	-	41	1	256	-	337	16,433	-	16,433	-	16,770
	$ 740,500	$ 311.885	$ 569,018	$ 229,962	$ 22,528	$ (34,013)	$ 1.839.880	$ 641,465	$ (159,020)	$ 482,445	$ 6,285	$ 2,328,610
Non-operating Expenses												
Community Support	$ 10,294	$ 29,238	$ 1,080	$ -	$ -	$ (15,336)	$ 25,276	$ 2,900	$ (2,900)	$ -	$ -	$ 25,276

	Program											
December 31, 2020	Adult	Pediatric	Medical Education	Physicians Group	Senior Care	Eliminations	Total	Management and General	Eliminations	Total	Fundraising	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

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.

Notes to Consolidated Financial Statements (All amounts in Thousands)

Note 18. Fair Value of Financial Instruments (Continued)

Assets and liabilities measured at fair value on a recurring basis at December 31, 2021 are summarized below:

Assets	Level 1	Level 2	Level 3	Total Fair Value
Marketable Equity Securities	$ 682,151	$ -	$ -	$ 682,151
Corporate Bonds	-	1,129	-	1,129
Other Fixed Income Securities	368,010	-	64,627	432,637
Money Market Funds	39,946	-	-	39,946
State of Israel Bonds	-	500	-	500
Interest Rate and Basis Swaps	-	3,779	-	3,779
Investments Measured at Fair Value	1,090,107	5,408	64,627	1,160,142
Investments Measured at NAV [(a)]				280,956
Total Investments at Fair Value				$ 1,441,098

(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, 2020 are summarized below:

Assets	Level 1	Level 2	Level 3	Total Fair Value
Marketable Equity Securities	$ 583,111	$ -	$ -	$ 583,111
Corporate Bonds	-	1,015	-	1,015
Other Fixed Income Securities	398,411	-	36,670	435,081
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.

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, 2021 and 2020, were approximately $27,464 and $11,614, respectively. There were no transfers into or out of Level 3 investments for the years ended December 31, 2021 and 2020.

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

UMCMC has assumed responsibility for operating UMC under the terms of a Cooperative Endeavor Agreement (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 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.

Leases with UMC

With regards to the UMC CEA, UMCMC has entered into multiple lease agreements.

UMCMC entered into an Amended and Restated Master Hospital Lease Agreement with LSU for the leasing of UMC, whereby it is obligated to minimum annual rental payments of approximately $69,410.

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. 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.

Notes to Consolidated Financial Statements (All amounts in Thousands)

Note 19. Commitments and Contingencies (Continued)

Leases with UMC (Continued)

The Amended and Restated Master Hospital Lease Agreement required UMCMC to make advance lease payments towards the facility rental. Of this total, $110,000 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 against its rent obligation for UMC, for each of the first twenty years of the UMC lease term. The remaining $143,000 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.

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.

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.

Rent expense under the above Amended and Restated Master Lease and Equipment Lease totaled approximately $74,416 and $77,184 for the years ended December 31, 2021 and 2020, 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 20 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, 2021 for the above mentioned leases, are as follows:

2022	$ 71,540
2023	71,310
2024	71,317
2025	72,017
2026	72,724
Thereafter	647,616
Total	$ 1,006,524

Note 19. Commitments and Contingencies (Continued)

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.

Capital Commitments

Through the CEA, LCMC Health is committed to expending $340,000 on capital expenditures. LCMC Health and West Jefferson covenant that a minimum of $340,000 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 shall be expended within the first five years of the commitment period, (b) $210,000 aggregate portion shall be expended within first 10 years of the commitment period, and (c) by September 30, 2030, the full amount of the commitment funds shall have been expended 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.

New Orleans East Hospital (NOEH)

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

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

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

Note 19. Commitments and Contingencies (Continued)

New Orleans East Hospital (NOEH) (Continued)
The Joint Parties may 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; the Joint Parties are relieved of performing further their operational obligations.

Through the NOEH CEA, the System has recognized revenue of approximately $1,050 and $2,555, for the years ended December 31, 2021 and 2020, respectively, which is included within other operating revenues on the System's consolidated statements of operations. At December 31, 2021 and 2020, NOEH owes the System approximately $26,443 and $12,646, respectively, for both the revenue recognized as well as direct costs incurred by the System on behalf of NOEH. This amount is included within other receivables on the System's consolidated balance sheets.

Audubon Retirement Village
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, 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.

East Jefferson General Hospital
As mentioned in Note 1, LCMC Health Holdings, Inc. 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, 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 of Additional Consideration, payable over three years of $5,000 each, beginning in 2021. The condition to payment is tied to a measure of Indigent Care Costs. See Note 23 for further details.

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) on Qualified Expenditures to support and improve health care access and delivery that benefits the residents of a defined Restricted Area.

Note 19. Commitments and Contingencies (Continued)

Professional and General Liability Insurance

Professional and general liability claims have been asserted against the System and are in various stages of 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 on a claims-made basis, with a self-insured retention of $1,000 per occurrence or medical incident and $4,500 in the aggregate. The umbrella policy provides an additional $25,000 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 in excess of the two $25,000 limits described above.

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

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, 2021 and 2020, respectively, was approximately $28,281 and $25,413. The current portion at December 31, 2021 and 2020 was approximately $11,024 and $9,544, respectively, and is included in other current liabilities. Undiscounted professional liability claims totaled approximately $29,973 and $26,928 at December 31, 2021 and 2020, 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 for non-domestic claims and fully self-insured for domestic claims. LCMC Health, Children's, Touro, West Jefferson, UMCMC, EJGH are self-insured for workers' compensation claims up to $800.

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, 2021 and 2020, respectively, was approximately $12,951 and $12,090. Undiscounted workers' compensation claims totaled approximately $13,761 and $12,772 at December 31, 2021 and 2020, respectively. The estimated liability for employee health claims was approximately $6,233 and $4,527 at December 31, 2021 and 2020, respectively. The current portion of workers' compensation claims and employee health claims at December 31, 2021 and 2020 was $10,931 and $8,994, respectively, and is included in other current liabilities. Due to the short-term nature of these employee health claims liabilities, the fair value approximates the carrying value.

Note 19. Commitments and Contingencies (Continued)

Energy Asset Commitments

LCMC Health, with Children's, Touro and its affiliate Woldenberg Village, West Jefferson, UMCMC, EJGH, and ARV 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.

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 the entities described in the previous paragraph through individual energy concession agreements and other contracts. The terms of the agreements are 15 years and expire 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 LCMC Health's participating entities a sum total of approximately $176,716 upon the closing on March 26, 2021. Additionally, the participating entities made payments of approximately $59,599 to Bernhard on the closing date for Energy Optimization Services. The transaction resulted in net cash proceeds to the participating entities of approximately $117,116.

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

Under the provisions of the agreements in connection with ASC 842, Children's, Touro and EJGH are considered a lessor of certain energy assets to Bernhard. Lease proceeds from this agreement, as mentioned above, were deferred upon receipt. Revenue from these payments are being recognized on a straight line basis over the term of the contract and approximate $8,000 in 2021, which is included in other operating revenues in the statements of operations. Management's approximation of the value of the energy assets being leased, at inception, approximates $37,406, with associated accumulated depreciation of approximately $19,821 as of December 31, 2021. Depreciation expense of approximately $1,272, for the year ended December 31, 2021, is included in depreciation and amortization expense in the consolidated statement of operations. Additionally, $23,450 of costs recorded in construction in progress at December 31, 2021 relate to projects that are also part of the lease arrangements but which have not yet been placed in service.

LCMC Health and Children's Hospital have guaranteed certain payments to be made to Bernhard by the participating entities over the life of the agreement.

Notes to Consolidated Financial Statements (All amounts in Thousands)

Note 19. Commitments and Contingencies (Continued)

Energy Asset Commitments (Continued)
As of December 31, 2021, the total of the fixed and determinable payments to be paid to Bernhard are as follows:

Year Ending December 31,	Amount
2022	$ 20,335
2023	24,734
2024	26,352
2025	27,031
2026	27,728
Thereafter	292,847
Total	$ 419,027

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.

Notes to Consolidated Financial Statements (All amounts in Thousands)

Note 20. Community Support (Continued)

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.

The revenues and expenses associated with these programs for the year ended December 31, 2021 are detailed as follows:

2021	Research Institute	CHAP	CARE Center	Behavioral Health	LSU Research	LHCS	NOCS	Other	Total
Patient Revenues	$ -	$ 14,815	$ 1,395	$ 1,059	$ -	$ 6,549	$ -	$ 11,476	$ 35,294
Revenue Deductions	-	(14,815)	(1,034)	(843)	-	(4,696)	-	(8,305)	(29,693)
Other Revenues	272	-	365	172	-	105	-	2,583	3,497
Total Revenues	272	-	726	388	-	1,958	-	5,754	9,098
Total Expenses	1,615	3,575	2,003	2,068	2,116	3,618	970	18,409	34,374
Community Support, Net	$ (1,343)	$ (3,575)	$ (1,277)	$ (1,680)	$ (2,116)	$ (1,660)	$ (970)	$ (12,655)	$ (25,276)

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

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)

Notes to Consolidated Financial Statements (All amounts in Thousands)

Note 20. Community Support (Continued)

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

	2021	2020
Direct Expenses	$ 27,600	$ 26,548
Indirect Expenses	6,774	5,967
Total Expenses	$ 34,374	$ 32,515

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% and are included within other receivables on the consolidated balance sheets. At December 31, 2021, pledges receivable were as follows:

Pledges Receivable	$ 2,205
Less: Discount of Long-Term Pledges	(146)
Total	$ 2,059

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

2022	$ 1,075
2023	563
2024	168
2025	93
Thereafter	306
Total	$ 2,205

Notes to Consolidated Financial Statements (All amounts in Thousands)

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:

Cash and Cash Equivalents	$	175,980
Patient Receivables, Net		220,721
Other Receivables		213,698
Board Designated Assets Limited as to Use		1,415,219
Total	$	2,025,618

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 cash consideration. Also, as part of the transaction, the seller agreed to provide minimum working capital of $18,000. 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 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 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 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 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 will be required. As a result, this amount has been recognized as a liability as of December 31, 2020. See Note 19.

Notes to Consolidated Financial Statements (All amounts in Thousands)

Note 23. Business Combinations (Continued)

As of December 31, 2021, the first performance period resulted in EJGH owing $4,698 to the District. The remaining $10,000 for performance periods two and three remains accrued as EJGH determined these future payments are still probable. 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.

Assets Acquired in Excess of Liabilities Assumed:

	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 27, 2022, and determined that no event occurred that requires accrual or disclosure. No other subsequent events occurring after May 27, 2022 have been evaluated for inclusion in these consolidated financial statements.

SUPPLEMENTARY INFORMATION

LOUISIANA CHILDREN'S MEDICAL CENTER
Consolidating Balance Sheet
December 31, 2021 (in Thousands)

	LCMC	Touro	Children's	UMCMC	West Jefferson	EJGH	Other	Eliminations	Consolidated
Assets									
Current Assets									
Cash and Cash Equivalents	$ 40,738	$ 39,957	$ 24,009	$ 59,744	$ 2,578	$ 5,209	$ 3,745	$ -	$ 175,980
Patient Accounts Receivable	1,594	32,771	40,105	70,619	35,645	38,957	2,310	(1,280)	220,721
Other Receivables	13,906	31,524	85,541	49,503	21,077	10,222	3,086	(1,161)	213,698
Inventories	3,248	6,844	7,576	12,992	7,199	10,049	-	-	47,908
Estimated Third-Party Payor Settlements	-	-	9,264	-	-	-	-	(9,264)	-
Prepaid Expenses and Other	7,636	4,440	4,838	31,214	7,521	4,849	606	-	61,104
Due from Related Parties	48,566	43,660	76,341	-	191	-	8,507	(177,265)	-
Total Current Assets	115,688	159,196	247,674	224,072	74,211	69,286	18,254	(188,970)	719,411
Assets Limited as to Use									
Investments Designated for Capital Projects and Specific Programs	-	81,101	1,334,118	-	-	-	-	-	1,415,219
Restricted by Bond Indenture, Debt Service Reserve	-	3,294	-	-	-	-	-	-	3,294
Donor-Restricted Long-Term Investments	-	12,655	3,139	-	-	-	-	-	15,794
Restricted Other	112	35	33	-	-	-	-	-	180
Less: Amount Required for Current Obligations	-	(973)	-	-	-	-	-	-	(973)
Assets Limited as to Use, Net	112	96,112	1,337,290	-	-	-	-	-	1,433,514
Investments in Joint Ventures	-	44,779	-	-	757	-	-	-	45,536
Long-Term Portion Prepaid Leases	-	-	-	205,634	167,778	-	-	-	373,412
Property, Plant, and Equipment, Net	120,815	121,658	405,366	84,109	120,999	156,182	15,993	-	1,025,122
Due from Related Party	550,676	39,546	71,026	-	1,051	19,694	-	(681,993)	-
Finance Lease Assets	-	-	-	-	3,266	-	11,381	-	14,647
Other Assets	39,854	18,540	26,964	2,281	8,585	18,796	1,434	-	116,454
Investments in Subsidiaries	1,990,461	-	-	-	-	-	-	(1,990,461)	-
Total Assets	$ 2,817,606	$ 479,831	$ 2,088,320	$ 516,096	$ 376,647	$ 263,958	$ 47,062	$ (2,861,424)	$ 3,728,096

See independent auditor's report.

LOUISIANA CHILDREN'S MEDICAL CENTER
Consolidating Balance Sheet (Continued)
December 31, 2021 (in Thousands)

	LCMC	Touro	Children's	UMCMC	West Jefferson	EJGH	Other	Eliminations	Consolidated
Liabilities and Net Assets									
Current Liabilities									
Trade Accounts Payable	$ 22,572	$ 23,487	$ 48,479	$ 77,021	$ 27,465	$ 25,950	$ 3,047	$ (2,295)	$ 225,726
Accrued Salaries and Benefits	8,809	16,110	19,729	17,349	11,272	11,652	4,706	-	89,627
Current Portion of Medicare Advance Payments	-	17,237	455	46,247	17,041	18,279	148	-	99,407
Estimated Third-Party Payor Settlements	-	7,904	-	71,860	3,538	1,864	189	(9,264)	76,091
Due to Related Parties	104,913	2,701	4,700	57,458	1,847	330	5,501	(177,450)	-
Deferred Revenue	1,540	2,961	4,175	331	794	3,980	302	-	14,083
Line of Credit	50,000	-	-	-	-	-	-	-	50,000
Current Finance Lease Liabilities	-	-	-	-	981	-	682	-	1,663
Other Current Liabilities	4,473	9,665	7,176	12,788	7,374	13,189	281	-	54,946
Total Current Liabilities	192,307	80,065	84,714	283,054	70,312	75,244	14,856	(189,009)	611,543
Bonds Payable, Net of Current Portion	522,251	36,798	-	253,050	-	-	-	-	812,099
Notes Payable	-	-	-	28,000	-	-	-	-	28,000
Due to Related Parties	92,268	-	1,291	154,875	309,894	103,919	19,707	(681,954)	-
Finance Lease Liabilities	-	-	-	-	2,078	-	11,262	-	13,340
Deferred Revenue, Net of Current Portion	-	40,871	49,088	4,384	10,530	63,046	-	-	167,919
Other Long-Term Liabilities	37,292	18,110	21,995	6,361	9,606	10,969	1,626	-	105,959
Total Liabilities	844,118	175,844	157,088	729,724	402,420	253,178	47,451	(870,963)	1,738,860
Noncontrolling Interest	-	653	-	-	-	504	-	-	1,157
Net Assets									
Without Donor Restrictions	1,973,401	291,882	1,928,093	(213,628)	(25,773)	10,276	(389)	(1,990,461)	1,973,401
With Donor Restrictions									
Purpose Restrictions	87	5,690	2,953	-	-	-	-	-	8,730
Perpetual in Nature	-	5,762	186	-	-	-	-	-	5,948
Total Net Assets	1,973,488	303,334	1,931,232	(213,628)	(25,773)	10,276	(389)	(1,990,461)	1,988,079
Total Liabilities and Net Assets	$ 2,817,606	$ 479,831	$ 2,088,320	$ 516,096	$ 376,647	$ 263,958	$ 47,062	$ (2,861,424)	$ 3,728,096

See independent auditor's report.

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

	LCMC	Touro	Children's	UMCMC	West Jefferson	EJGH	Other	Eliminations	Consolidated
Assets									
Current Assets									
Cash and Cash Equivalents	$ 8,385	$ 75,083	$ 39,008	$ 122,369	$ 43,354	$ 17,173	$ 1,811	$ 286	$ 307,469
Patient Accounts Receivable	1,794	34,364	31,478	72,489	33,642	45,515	2,388	(2,074)	219,596
Other Receivables	(3,964)	40,440	80,581	14,387	17,491	11,377	2,261	(423)	162,150
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 and Other	7,850	2,390	4,759	30,669	8,585	4,608	777	-	59,638
Due from Related Parties	-	24,383	101,433	-	-	-	188	(126,004)	-
Total Current Assets	19,190	183,014	276,174	252,189	109,570	88,588	7,480	(141,406)	794,799
Assets Limited as to Use									
Investments Designated for Capital Projects and Specific Programs	-	74,879	1,225,314	-	-	-	-	-	1,300,193
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
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	154,649	5,684	-	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	26,738	649	4,160	11,972	1,219	-	81,894
Investments in Subsidiaries	1,943,002	-	-	-	-	-	-	(1,943,002)	-
Total Assets	$ 2,520,410	$ 459,842	$ 1,902,202	$ 546,351	$ 364,213	$ 255,209	$ 26,651	$ (2,513,308)	$ 3,561,570

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	EJGH	Other	Eliminations	Consolidated
Liabilities and Net Assets									
Current Liabilities									
Trade Accounts Payable	$ 24,873	$ 24,113	$ 30,667	$ 85,149	$ 18,857	$ 15,501	$ 608	$ (2,497)	$ 197,271
Accrued Salaries and Benefits	9,328	14,533	17,044	17,148	10,832	13,295	3,952	-	86,132
Current Portion of Medicare Advance Payments	-	8,828	335	19,524	8,403	9,014	290	-	46,394
Estimated Third-Party Payor Settlements	-	10,756	-	93,736	8,044	2,388	-	(13,191)	101,733
Due to Related Parties	-	-	4,806	170,948	-	88,900	375	(265,029)	-
Deferred Revenue	-	-	3,950	33,920	19,000	486	228	-	57,584
Current Finance Lease Liabilities	-	-	-	-	-	-	646	-	646
Other Current Liabilities	3,930	10,602	6,224	12,719	9,046	23,691	1,074	-	67,286
Total Current Liabilities	38,131	68,832	63,026	433,144	74,182	153,275	7,173	(280,717)	557,046
Medicare Advance Payments, Net of Current Portion	-	16,655	785	40,273	15,215	19,005	380	-	92,313
Bonds Payable, Net of Current Portion	522,974	43,880	-	-	-	-	-	-	566,854
Notes Payable	-	-	-	273,907	-	-	-	-	273,907
Due to Related Parties	-	-	-	-	284,877	-	3,827	(288,704)	-
Finance Lease Liabilities	-	-	-	-	-	-	11,944	-	11,944
Other Long-Term Liabilities	28,707	24,893	18,707	9,488	13,471	18,529	2,091	(885)	115,001
Total Liabilities	589,812	154,260	82,518	756,812	387,745	190,809	25,415	(570,306)	1,617,065
Noncontrolling Interest	-	590	-	-	-	-	-	-	590
Net Assets									
Without Donor Restrictions	1,930,544	293,875	1,817,484	(210,461)	(23,532)	64,400	1,236	(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)	64,400	1,236	(1,943,002)	1,943,915
Total Liabilities and Net Assets	$ 2,520,410	$ 459,842	$ 1,902,202	$ 546,351	$ 364,213	$ 255,209	$ 26,651	$ (2,513,308)	$ 3,561,570

See independent auditor's report.

LOUISIANA CHILDREN'S MEDICAL CENTER
Consolidating Statement of Operations
For the Year Ended December 31, 2021 (in Thousands)

	LCMC	Touro	Children's	UMCMC	West Jefferson	EJGH	Other	Eliminations	Consolidated
Unrestricted Revenues, Gains, and Other Support									
Net Patient Service Revenues	$ -	$ 331,249	$ 395,341	$ 668,966	$ 312,098	$ 325,442	$ 32,870	$ (18,253)	$ 2,047,713
Other Operating Revenues	166,803	33,882	23,786	126,471	31,417	26,883	23,640	(193,016)	239,866
Net Assets Released from Restrictions	-	549	-	-	-	-	-	-	549
Total Operating Revenues	166,803	365,680	419,127	795,437	343,515	352,325	56,510	(211,269)	2,288,128
Operating Expenses									
Employee Compensation and Benefits	74,911	176,361	171,879	220,416	135,876	176,072	44,580	(16,367)	983,728
Purchased Services	36,545	59,882	66,550	100,552	65,299	76,739	5,561	(132,728)	278,400
Professional Fees	13,492	18,759	58,019	182,503	32,137	28,460	4,460	(15,359)	322,471
Supplies and Other Expenses	21,069	91,690	75,208	241,958	87,528	99,598	2,093	(6,022)	613,122
Depreciation and Amortization	22,557	20,784	24,554	29,374	17,964	20,258	1,185	(22,557)	114,119
Interest Expense (Income)	(115)	372	(12,918)	22,360	6,808	7	256	-	16,770
Total Operating Expenses	168,459	367,848	383,292	797,163	345,612	401,134	58,135	(193,033)	2,328,610
(Loss) Income from Operations	(1,656)	(2,168)	35,835	(1,726)	(2,097)	(48,809)	(1,625)	(18,236)	(40,482)
Investment Income (Loss)	(45)	6,481	104,047	-	520	-	-	-	111,003
Inherent Contribution	-	-	-	-	-	-	-	-	-
Other Nonoperating (Expense) Income	-	(344)	(35)	(361)	341	(3,188)	-	-	(3,587)
Equity in Earnings of Subsidiaries	47,459	-	-	-	-	-	-	(47,459)	-
Community Support, Net	(2,900)	(7,666)	(29,238)	(1,080)	(1,005)	(1,623)	-	18,236	(25,276)
Excess (Deficit) of Revenues over Expenses	$ 42,858	$ (3,697)	$ 110,609	$ (3,167)	$ (2,241)	$ (53,620)	$ (1,625)	$ (47,459)	$ 41,658

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	EJGH	Other	Eliminations	Consolidated
Unrestricted Revenues, Gains, and Other Support									
Net Patient Service Revenues	$ -	$ 303,550	$ 355,232	$ 639,117	$ 286,077	$ 77,957	$ 32,244	$ (13,278)	$ 1,680,899
Other Operating Revenues	180,550	63,288	45,700	142,031	41,942	7,164	17,322	(182,893)	315,104
Net Assets Released from Restrictions	-	369	-	-	-	-	-	-	369
Total Operating Revenues	180,550	367,207	400,932	781,148	328,019	85,121	49,566	(196,171)	1,996,372
Operating Expenses									
Employee Compensation and Benefits	71,394	157,451	151,878	198,252	118,577	46,074	42,008	(10,728)	774,906
Purchased Services	61,365	81,128	61,652	103,106	64,768	20,108	2,371	(144,539)	249,959
Professional Fees	16,711	18,012	49,241	177,902	29,804	(208)	187	(10,078)	281,571
Supplies and Other Expenses	12,409	66,016	63,835	235,005	79,065	24,632	2,557	(5,948)	477,571
Depreciation and Amortization	20,421	21,263	20,331	26,784	14,382	5,014	1,056	(20,421)	88,830
Interest Expense (Income)	(171)	645	(12,322)	21,680	6,328	(7)	313	-	16,466
Total Operating Expenses	182,129	344,515	334,615	762,729	312,924	95,613	48,492	(191,714)	1,889,303
(Loss) Income from Operations	(1,579)	22,692	66,317	18,419	15,095	(10,492)	1,074	(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	$ 64,400	$ 1,074	$ (294,031)	$ 287,217

See independent auditor's report.

LOUISIANA CHILDREN'S MEDICAL CENTER
Consolidating Statement of Changes in Net Assets
For the Year Ended December 31, 2021 (in Thousands)

	LCMC	Touro	Children's	UMCMC	West Jefferson	EJGH	Other	Eliminations	Consolidated
Changes in Net Assets Without Donor Restrictions									
Excess (Deficit) of Revenues over Expenses	$ 42,858	$ (3,697)	$ 110,609	$ (3,167)	$ (2,241)	$ (53,620)	$ (1,625)	$ (47,459)	$ 41,658
Excess (Deficit) of Revenues over Expenses Attributable to Noncontrolling Interests	-	(113)	-	-	-	(504)	-	-	(617)
Adjustment to Additional Minimum Pension Liability	-	1,817	-	-	-	-	-	-	1,817
Contribution of Right of Use Designated Equipment	-	-	-	-	-	-	-	-	-
Increase (Decrease) in Net Assets Without Donor Restrictions	42,858	(1,993)	110,609	(3,167)	(2,241)	(54,124)	(1,625)	(47,459)	42,858
Changes in Net Assets With Donor Restrictions									
Contributions and Grants	70	342	3,567	-	-	-	-	-	3,979
Investment Income	-	971	-	-	-	-	-	-	971
Net Assets Released from Restrictions	(38)	(978)	(2,628)	-	-	-	-	-	(3,644)
(Decrease) Increase in Net Assets With Donor Restrictions	32	335	939	-	-	-	-	-	1,306
Increase (Decrease) in Net Assets	42,890	(1,658)	111,548	(3,167)	(2,241)	(54,124)	(1,625)	(47,459)	44,164
Net Assets, Beginning of Year	1,930,598	304,992	1,819,684	(210,461)	(23,532)	64,400	1,236	(1,943,002)	1,943,915
Net Assets, End of Year	$ 1,973,488	$ 303,334	$ 1,931,232	$ (213,628)	$ (25,773)	$ 10,276	$ (389)	$ (1,990,461)	$ 1,988,079

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	EJGH	Other	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	$ 64,400	$ 1,074	$ (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	64,400	1,074	(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	64,400	1,074	(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)	$ 64,400	$ 1,236	$ (1,943,002)	$ 1,943,915

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, 2021 and 2020, 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 27, 2022.

Report on Internal Control Over Financial Reporting

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

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

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

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

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

LaPorte

A Professional Accounting Corporation

Metairie, LA
May 27, 2022

LOUISIANA CHILDREN'S MEDICAL CENTER
Schedule of Compensation, Benefits, and Other Payments to Agency Head
For the Year Ended December 31, 2021

Agency Head
Greg Feirn, CEO

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

* No compensation, reimbursements, nor benefits were paid to the agency head from public funds.

See independent auditor's report.

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AGREED-UPON PROCEDURES REPORT
Louisiana Children's Medical Center

Independent Accountant's Report
On Applying Agreed-Upon Procedures

For the Period January 1, 2021 - December 31, 2021

Governing Board of Trustees
Louisiana Children's Medical Center
1100 Poydras Street
2500 Energy Center
New Orleans, LA 70131

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

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2021 through December 31, 2021. Louisiana Children's Medical Center's (LCMC Health) management is responsible for those C/C areas identified in the SAUPs.

LCMC Health has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in the LLA's SAUPs for the fiscal period January 1, 2021 through December 31, 2021. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and results are as follows:

Written Policies and Procedures

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:

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

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

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

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

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

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

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

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

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

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

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

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

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

Board (or Finance Committee, if applicable)

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

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

   b) For those entities reporting on the nonprofit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.

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

Bank Reconciliations

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

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

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

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

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

Collections (excluding electronic funds transfers)

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

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

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
   a) Employees that are responsible for cash collections do not share cash drawers/registers.
   b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.
   c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
   d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, are not responsible for collecting cash, unless another employee/official verifies the reconciliation.
6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe that the bond or insurance policy for theft was enforced during the fiscal period.
7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
   a) Observe that receipts are sequentially pre-numbered.
   b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
   c) Trace the deposit slip total to the actual deposit per the bank statement.
   d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than $100 and the cash is stored securely in a locked safe or drawer).
   e) Trace the actual deposit per the bank statement to the general ledger.

Non-payroll disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Contracts

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

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

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

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

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

    Results: Step 15. A) is not applicable as LCMC Health is a nonprofit entity. No exceptions were found with regards to 15. b) and c) as a result of these procedures.

Payroll and Personnel

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

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

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

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

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

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

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

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

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

Ethics

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

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

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

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

Debt Service

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

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

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

Fraud Notice

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

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

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

Information Technology Disaster Recovery/Business Continuity

25. Perform the following procedures:

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

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

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

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

Sexual Harassment

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

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

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

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

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

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

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

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

Results: Step 26. is not applicable as LCMC Health is a nonprofit entity. No exceptions were found with regards to 27. and 28.

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

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

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

LaPorte

A Professional Accounting Corporation

Metairie, LA
June 30, 2022