ASCENSION

CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Years Ended June 30, 2022 and 2021
With Reports of Independent Auditors

Ascension

Consolidated Financial Statements
and Supplementary Information

Years Ended June 30, 2022 and 2021

Contents

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Report of Independent Auditors

The Board of Directors
Ascension Health Alliance d/b/a Ascension

Opinion

We have audited the consolidated financial statements of Ascension Health Alliance d/b/a Ascension (the System), which comprise the consolidated balance sheets as of June 30, 2022 and 2021, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the System at June 30, 2022 and 2021, and the results of its operations and changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

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

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Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis of Financial Condition and Results of Operations for Ascension but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Ernst & Young LLP

September 14, 2022

Ascension

Consolidated Balance Sheets

(Dollars in Thousands)

	June 30, 2022	June 30, 2021
Assets		
Current assets:		
Cash and cash equivalents	**$ 747,084**	$ 670,022
Short-term investments	**70,284**	97,222
Accounts receivable	**3,435,376**	3,253,061
Inventories	**511,064**	534,263
Due from brokers *(see Notes 5 and 6)*	**142,075**	97,225
Estimated third-party payor settlements	**219,544**	208,630
Other	**940,170**	1,120,666
Total current assets	**6,065,597**	5,981,089
Long-term investments *(see Notes 5 and 6)*	**22,058,171**	26,768,323
Property and equipment, net	**11,424,061**	11,066,802
Other assets:		
Right-of-use assets - leases	**1,323,258**	1,313,370
Investment in unconsolidated entities	**1,309,662**	1,363,777
Capitalized software costs, net	**500,547**	525,824
Other	**1,394,484**	1,380,054
Total other assets	**4,527,951**	4,583,025
Total assets	**$44,075,780**	$ 48,399,239

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Ascension

Consolidated Balance Sheets
(Dollars in Thousands)

	June 30, 2022	June 30, 2021
Liabilities and net assets		
Current liabilities:		
Current portion of long-term debt	**$ 91,618**	$ 92,406
Long-term debt subject to short-term remarketing arrangements*	**774,630**	627,390
Current portion of lease obligations	**265,528**	245,535
Accounts payable and accrued liabilities	**3,323,858**	3,028,487
Estimated third-party payor settlements	**752,532**	756,700
Due to brokers *(see Notes 5 and 6)*	**75,789**	219,503
Current portion of self-insurance liabilities	**307,762**	314,960
Current portion of Medicare advanced payments	**522,045**	1,271,737
Other	**613,416**	686,804
Total current liabilities	**6,727,178**	7,243,522
Noncurrent liabilities:		
Long-term debt (senior and subordinated)	**6,409,810**	6,805,332
Lease obligations, less current portion	**1,093,735**	1,097,255
Self-insurance liabilities	**824,552**	760,043
Pension and other postretirement liabilities	**562,609**	965,579
Medicare advanced payments	-	512,380
Other	**1,332,350**	1,738,913
Total noncurrent liabilities	**10,223,056**	11,879,502
Total liabilities	**16,950,234**	19,123,024
Net assets:		
Without donor restrictions:		
Controlling interest	**24,067,446**	25,705,637
Noncontrolling interests	**2,307,734**	2,726,836
Total net assets without donor restrictions	**26,375,180**	28,432,473
Net assets with donor restrictions	**750,366**	843,742
Total net assets	**27,125,546**	29,276,215
Total liabilities and net assets	**$ 44,075,780**	$ 48,399,239

*Consists of variable rate demand bonds with put options that may be exercised at the option of the bondholders, with stated repayment installments through 2047, as well as certain serial mode bonds with scheduled remarketing/mandatory tender dates occurring prior to June 30, 2023. In the event that bonds are not remarketed upon the exercise of put options for the variable bonds or scheduled mandatory tender bonds, management would utilize other sources to access the necessary liquidity. Potential sources include a drawdown on the System's $1 billion line of credit, issuing commercial paper, and liquidating investments.

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

Ascension

Consolidated Statements of Operations and Changes in Net Assets

(Dollars in Thousands)

	The years ended June 30, 2022	2021
Operating revenue:		
Net patient service revenue	**$ 25,199,425**	$ 24,446,874
Other revenue	**2,776,026**	2,790,557
Total operating revenue	**27,975,451**	27,237,431
Operating expenses:		
Salaries and wages	**12,089,870**	10,872,664
Employee benefits	**2,352,877**	2,362,150
Purchased services	**3,276,175**	2,970,386
Professional fees	**1,405,126**	1,295,422
Supplies	**4,141,532**	4,031,382
Insurance	**354,761**	344,804
Interest	**224,241**	225,821
Provider tax	**701,999**	659,632
Depreciation and amortization	**1,332,369**	1,316,904
Other	**2,895,368**	2,605,868
Total operating expenses	**28,774,318**	26,685,033
Income (loss) from operations before self-insurance trust fund investment return and nonrecurring gains (losses), net	**(798,867)**	552,398
Self-insurance trust fund investment return	**(106,374)**	141,101
Income (loss) from recurring operations	**(905,241)**	693,499
Nonrecurring gains (losses), net	**26,043**	(17,239)
Income (loss) from operations	**(879,198)**	676,260
Nonoperating gains (losses):		
Investment return, net	**(1,219,251)**	5,863,823
Other	**194,747**	(71,714)
Total nonoperating gains (losses), net	**(1,024,504)**	5,792,109
Excess (deficit) of revenues and gains over expenses and losses	**(1,903,702)**	6,468,369
Less noncontrolling interests	**(59,956)**	794,968
Excess (deficit) of revenues and gains over expenses and losses attributable to controlling interest	**(1,843,746)**	5,673,401

Continued on next page.

Ascension

Consolidated Statements of Operations and Changes in Net Assets
(Dollars in Thousands)

	The years ended June 30,	
	2022	**2021**
Net assets without donor restrictions, controlling interest:		
Excess (deficit) of revenues and gains over expenses and losses	**$ (1,843,746)**	$ 5,673,401
Transfers (to) from sponsors and other affiliates, net	**(393)**	(1,989)
Net assets released from restrictions for property acquisitions	**42,548**	43,691
Pension and other postretirement liability adjustments	**195,161**	1,121,357
Change in unconsolidated entities' net assets	**(38,492)**	40,334
Other	**6,731**	(9,933)
Increase (decrease) in net assets without donor restrictions, controlling interest	**(1,638,191)**	6,866,861
Net assets without donor restrictions, noncontrolling interest:		
Excess (deficit) of revenues and gains over expenses and losses	**(59,956)**	794,968
Net contributions (distributions) of capital	**(342,042)**	(32,016)
Other	**(17,104)**	-
Increase (decrease) in net assets without donor restrictions, noncontrolling interest	**(419,102)**	762,952
Net assets with donor restrictions:		
Contributions and grants	**112,444**	92,878
Investment return	**(15,767)**	95,718
Net assets released from restrictions	**(80,460)**	(81,846)
Divestiture	**(92,623)**	-
Other	**(16,970)**	(47,596)
Increase (decrease) in net assets with donor restrictions	**(93,376)**	59,154
Increase (decrease) in net assets	**(2,150,669)**	7,688,967
Net assets, beginning of year	**29,276,215**	21,587,248
Net assets, end of year	**$ 27,125,546**	$ 29,276,215

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

Ascension

Consolidated Statements of Cash Flows

(Dollars in Thousands)

	The years ended June 30,	
	2022	**2021**
Operating activities		
Increase (decrease) in net assets	**$ (2,150,669)**	$ 7,688,967
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	**1,332,369**	1,316,904
Amortization of bond premiums, discounts, and debt issuance costs	**(33,492)**	(40,882)
Loss on extinguishment of debt	**-**	19,636
Pension and other postretirement liability adjustments	**(195,161)**	(1,121,357)
Unrealized losses (gains) on unrestricted investments, net	**2,741,108**	(3,384,470)
Change in fair value of interest rate swaps	**(66,146)**	(44,945)
Change in equity of unconsolidated entities	**(194,187)**	(252,096)
Gain on sale of assets, net	**(407,790)**	(63,236)
Impairment and nonrecurring expenses	**3,344**	15,922
Transfers to sponsor and other affiliates, net	**393**	1,989
Donor restricted contributions, investment return and other	**(58,766)**	(151,402)
Distributions (contributions) of noncontrolling interest, net	**342,042**	32,016
Other	**4,718**	67,322
(Increase) decrease in:		
Short-term investments	**26,938**	6,042
Accounts receivable	**(180,076)**	(565,575)
Inventories and other current assets	**(67,359)**	(161,544)
Due from brokers	**(44,850)**	11,350
Long-term investments	**2,326,500**	(2,188,027)
Other assets	**68,227**	(142,936)
Increase (decrease) in:		
Accounts payable and accrued liabilities	**270,585**	113,906
Estimated third-party payor settlements, net	**(15,874)**	23,826
Due to brokers	**(143,714)**	159,622
Medicare advanced payments	**(1,263,063)**	(199,136)
Other current liabilities	**(44,692)**	(52,988)
Self-insurance liabilities	**57,311**	97,781
Other noncurrent liabilities	**(547,508)**	42,127
Net cash provided by operating activities	**1,760,188**	1,228,816

Continued on next page.

Ascension

Consolidated Statements of Cash Flows
(Dollars in Thousands)

	The years ended June 30, 2022	2021
Investing activities		
Property, equipment, and capitalized software additions, net	**$ (1,674,818)**	$ (1,461,689)
Proceeds from sale of property and equipment	**12,626**	48,081
Distributions from unconsolidated entities, net	**204,897**	107,650
Net proceeds from sale/acquisition of other assets	**300,332**	153,235
Net cash used in investing activities	**(1,156,963)**	(1,152,723)
Financing activities		
Issuance of debt	**6,274**	456,225
Repayment of debt, including financing lease obligations	**(241,311)**	(598,433)
Decrease (increase) in assets under bond indenture agreements	**1,020**	(85)
Transfers to sponsors and other affiliates, net	**(393)**	(1,989)
Donor restricted contributions, investment return, and other	**58,766**	151,402
(Distributions) contributions of noncontrolling interest, net	**(342,042)**	(32,016)
Net cash used in financing activities	**(517,686)**	(24,896)
Net increase (decrease) in cash, cash equivalents, and restricted cash	**85,539**	51,197
Cash, cash equivalents, and restricted cash at beginning of year	**727,913**	676,716
Cash, cash equivalents, and restricted cash at end of year	**$ 813,452**	$ 727,913
Cash and cash equivalents	**$ 747,084**	$ 670,022
Restricted cash, included in long-term investments	**66,368**	57,891
Cash, cash equivalents, and restricted cash at end of year	**$ 813,452**	$ 727,913

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

1. Organization and Mission

Organizational Structure

Ascension Health Alliance, d/b/a Ascension (Ascension), is a Missouri nonprofit corporation formed on September 13, 2011. Ascension is a Catholic national health system consisting primarily of nonprofit corporations that own and operate local healthcare facilities, or Ministry Markets, located in 19 states and the District of Columbia. Ascension also serves as the direct or indirect member or shareholder of various subsidiaries including, but not limited to:

- Ascension Care Management
- Ascension Risk Services
- Ascension Foundation
- Ascension Global Mission
- Ascension Healthcare
- Ascension Holdings
- Ascension Leadership Academy
- Ascension Technologies
- Ascension Capital
    - Ascension Investment Management (AIM)
    - Ascension Ventures (AV)
    - AV Holding Company
- The Resource Group
- Smart Health Solutions

Ascension is also the majority investor in Ascension Alpha Fund, LLC (Alpha Fund), a limited liability company organized in the state of Delaware, as well as the majority limited partner of various venture capital funds (the Venture Funds), as further discussed in the Investment Funds note. The Alpha Fund and the Venture Funds are collectively referred to as Investment Funds. Ascension and its member organizations are hereafter referred to collectively as the System.

Sponsorship

Ascension is sponsored by the Ascension Sponsor, a Public Juridic Person. The Participating Entities of the Ascension Sponsor include the Daughters of Charity of St. Vincent de Paul, St. Louise Province; the Congregation of St. Joseph; the Congregation of the Sisters of St. Joseph of Carondelet; the Congregation of Alexian Brothers of the Immaculate Conception Province, Inc. – American Province; and the Sisters of the Sorrowful Mother of the Third Order of St. Francis of Assisi – US/Caribbean Province.

1. Organization and Mission (continued)

Mission

The System directs its governance and management activities toward strong, vibrant, Catholic Ministries united in service and healing, and dedicates its resources to spiritually centered care which sustains and improves the health of the individuals and communities it serves. In accordance with the System's mission of service to those persons living in poverty and other vulnerable persons, each Ministry Market accepts patients regardless of their ability to pay. The System uses four categories to identify the resources utilized for the care of persons living in poverty and community benefit programs:

- Traditional charity care includes the cost of services provided to persons who cannot afford healthcare because of inadequate resources and/or who are uninsured or underinsured.

- Unpaid cost of public programs, excluding Medicare, represents the unpaid cost of services provided to persons covered by public programs for persons living in poverty and other vulnerable persons.

- Cost of other programs for persons living in poverty and other persons who are vulnerable.

- Unreimbursed costs of community benefit programs and services for the broader community, not solely for the persons living in poverty, including health promotion and education, health clinics and screenings, and medical research.

Discounts are provided to all uninsured and underinsured patients, including those with the means to pay. Discounts provided to those patients who did not qualify for financial assistance are not included in the cost of providing care for persons living in poverty and other community benefit programs. The cost of providing care for persons living in poverty and other community benefit programs is estimated by reducing charges forgone by a factor derived from the ratio of each entity's total operating expenses to the entity's billed charges for patient care. Certain costs such as graduate medical education and certain other activities are excluded from total operating expenses for purposes of this computation.

The amount of traditional charity care provided, determined on the basis of cost, was $547,099 and $493,781 for the years ended June 30, 2022 and 2021, respectively. The amount of unpaid cost of public programs, cost of other programs for persons living in poverty and other vulnerable persons, and community benefit cost is reported in the accompanying supplementary information.

2. Significant Accounting Policies

Principles of Consolidation

The System consolidates all entities for which operating control is exercised by the System or one of its member entities, and all significant inter-entity transactions have been eliminated in consolidation. Excluding investments where the fair value option is elected, investments in entities where the System does not have operating control are recorded under the equity method of accounting, and results of operations are included in other operating revenue.

Use of Estimates

Management has made estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues, and expenses. Actual results could differ from those estimates.

Fair Value of Financial Instruments

Carrying values of financial instruments classified as current assets and current liabilities approximate fair value. The fair values of financial instruments measured at fair value are disclosed in the Fair Value Measurements note.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and interest-bearing deposits with original maturities of three months or less.

Short-Term Investments

Short-term investments consist of investments with original maturities exceeding three months and up to one year.

Inventories

Inventories, consisting primarily of medical supplies and pharmaceuticals, are stated at the lower of cost or market value using first-in, first-out (FIFO) or a methodology that closely approximates FIFO.

2. Significant Accounting Policies (continued)

Long-Term Investments and Investment Return

Long-term investments are primarily comprised of the Investment Funds, which are consolidated by the System. The System's investments, including the Investment Funds, are measured at fair value or net asset value. Further information about long-term investments and investment return are discussed in the Investment Funds, Cash and Investments, and Fair Value Measurements notes.

Long-term investments include assets limited as to use of $1,492,774 and $1,560,296 at June 30, 2022 and 2021, respectively. Assets limited as to use are primarily investments with donor restrictions, including restricted cash and cash equivalents, and assets placed in trust or held by captive insurance companies for the payment of self-insured claims.

Purchases and sales of investments are accounted for on a trade-date basis. Investment returns consist of dividends, interest, and gains and losses. The cost of substantially all securities sold is based on the FIFO method. Investment returns, excluding returns of self-insurance trust funds and restricted investment returns, are reported as nonoperating gains (losses) in the Consolidated Statements of Operations and Changes in Net Assets. Investment returns of self-insurance trust funds are reported as a separate component of income from operations in the Consolidated Statements of Operations and Changes in Net Assets.

Property and Equipment

Property and equipment are stated at cost or, if donated, at fair market value at the date of the gift. Depreciation is determined on a straight-line basis over the estimated useful lives of the related assets. The range of estimated useful lives used in computing depreciation is as follows: buildings and leasehold improvements, 2 to 40 years; and equipment, 2 to 20 years. Depreciation expense for the years ended June 30, 2022 and 2021 was approximately $1,116,000 and $1,095,000, respectively.

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

A summary of property and equipment is as follows:

	June 30, 2022	June 30, 2021
Land and improvements	$ 1,458,294	$ 1,372,957
Buildings and equipment	22,143,058	21,327,952
	23,601,352	22,700,909
Less accumulated depreciation	13,105,544	12,138,572
	10,495,808	10,562,337
Construction in progress	928,253	504,465
Total property and equipment, net	$ 11,424,061	$ 11,066,802

Several capital projects have remaining construction and related equipment purchase commitments of approximately $1,400,000 as of June 30, 2022.

Intangible Assets

Intangible assets primarily consist of goodwill and capitalized computer software costs, including internally developed software. Costs incurred in the development and installation of internal use software are expensed or capitalized depending on whether they are incurred in the preliminary project stage, application development stage, or post-implementation stage, and the nature of the costs. Intangible assets are included in the Consolidated Balance Sheets as presented in the table that follows.

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

Capitalized software costs in the following table include software in progress of $129,165 and $103,977 at June 30, 2022 and 2021, respectively:

	June 30, 2022	June 30, 2021
Capitalized software costs	**$ 2,619,142**	$ 2,473,145
Less accumulated amortization	**2,118,595**	1,947,321
Capitalized software costs, net	**500,547**	525,824
Goodwill	**497,503**	356,726
Other, net	**45,072**	37,308
Intangible assets included in other assets	**542,575**	394,034
Total intangible assets, net	**$ 1,043,122**	$ 919,858

Intangible assets whose lives are indefinite, primarily goodwill, are not amortized and are evaluated for impairment at least annually or when circumstances indicate a possible impairment may exist. Intangible assets with definite lives, primarily capitalized computer software costs, are amortized on a straight line basis over their expected useful lives. Amortization expense for these intangible assets was approximately $217,000 and $222,000 for the years ended June 30, 2022 and 2021, respectively.

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

Estimated future amortization of intangible assets with definite lives, excluding software in progress, as of June 30, 2022 is as follows:

The years ending June 30:		
2023	$	149,314
2024		93,350
2025		70,742
2026		38,026
2027		18,017
Thereafter		35,953
Total	$	405,402

Asset Impairment

Long-lived assets, intangible assets, and joint ventures are reviewed for impairment whenever events or business conditions indicate the carrying amount of such assets may not be fully recoverable. Initial assessments of recoverability are based on estimates of undiscounted future net cash flows associated with an asset or group of assets. Where impairment is indicated, the carrying amount of an asset or group of assets is reduced to fair value based on future discounted net cash flows or other estimates of fair value.

Noncontrolling Interests

The Consolidated Financial Statements include all assets, liabilities, revenues, and expenses of entities that are controlled and consolidated by the System. Noncontrolling interests in the Consolidated Balance Sheets represent the portion of net assets owned by entities outside the System, for those entities in which the System's ownership interest is less than 100%.

Net Assets

Net Assets Without Donor Restrictions

Net assets without donor restrictions are those whose use by the System has not been limited by donors and are available for general operating use.

2. Significant Accounting Policies (continued)

Net Assets With Donor Restrictions

Net assets with donor restrictions include those whose use by the System has been limited by donors for a specific time period or purpose, primarily for patient care, operations, and property and equipment.

This category also includes net assets restricted by donors to be maintained in perpetuity. The income generated from these restricted investments is primarily used to purchase equipment and to provide charity care and other health and educational services. Contributions with donor-imposed restrictions that are met in the same reporting period are reported as net assets without donor restrictions.

Performance Indicator

The performance indicator is the excess of revenues and gains over expenses and losses. Pension and other postretirement liability adjustments, transfers to or from sponsors and other affiliates, net assets released from restrictions for property acquisitions, and changes in unconsolidated entities' net assets are not included in the performance indicator.

Operating and Nonoperating Activities

The System's primary mission is to meet the healthcare needs in its communities served through a broad range of general and specialized healthcare services, including inpatient acute care, outpatient services, long-term care, and other healthcare services. Activities directly associated with the furtherance of this purpose are classified as operating activities, while activities resulting in gains or losses peripheral to the System's primary mission are classified as nonoperating.

Net Patient Service Revenue and Accounts Receivable

Net patient service revenue relates to contracts with patients, and in most cases involve a third-party payor (Medicare, Medicaid, commercial and other managed care insurance companies) in which the System's performance obligations are to provide health care services. Net patient service revenues are recorded at expected collectible amounts over the time in which obligations to provide health care services are satisfied. Revenue is accrued to estimate the amount of revenue earned to date for patients who have not been discharged and whose care services are not complete as of the reporting period. Substantially all the System's performance obligations are satisfied in one year.

2. Significant Accounting Policies (continued)

The transaction price is determined based on gross charges for services provided, reduced by contractual adjustments provided to third-party payers, discounts provided to uninsured patients in accordance with the System's charity care policy, and implicit price concessions provided primarily to uninsured patients. Patients who have health care insurance may also have discounts applied related to their copayment or deductible. Implicit price concessions are recorded as a direct reduction to net patient service revenue and are based primarily on historical collection experience.

Estimates of contractual adjustments and discounts are determined by major payor classes for inpatient and outpatient revenues based on contractual agreements, discount policies and historical experience. Management regularly reviews the contractual estimation process to consider and incorporate updates to laws and regulations and frequent changes in commercial and managed care contractual terms resulting from contract renegotiations and renewals.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Adjustments to revenue related to prior periods increased net patient service revenue by $192,768 and $134,646 for the years ended June 30, 2022 and 2021, respectively.

Settlements with third-party payers for retroactive revenue adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. Such estimates are determined through either a probability-weighted estimate or an estimate of the most likely amount, depending on the circumstances related to a given estimated settlement item.

These settlements are estimated based on the terms of the payment agreement with the payer, correspondence from the payer and historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of 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 audits, reviews and investigations.

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

Net patient service revenue earned for the years ended June 30, 2022 and 2021, is as follows:

	The years ended June 30,	
	2022	**2021**
Inpatient care	**$ 11,802,093**	$ 11,696,872
Ambulatory care	**10,062,536**	9,494,150
Physician practices	**2,937,619**	2,832,188
Long-term care	**397,177**	423,664
Total net patient service revenue	**$ 25,199,425**	$ 24,446,874

The System grants credit without collateral to its patients. Net patient service revenues earned by payor and significant concentrations of accounts receivable are as follows:

	Net Patient Service Revenue The years ended June 30,		Accounts Receivable	
	2022	**2021**	**June 30, 2022**	**June 30, 2021**
Medicare - traditional and managed	**35.7 %**	36.7 %	**30.0 %**	30.3 %
Medicaid - traditional and managed	**14.8**	13.0	**11.8**	9.8
Other commercial and managed care	**42.9**	42.7	**44.5**	46.0
Self-Pay and other	**6.6**	7.6	**13.7**	13.9
	100.0 %	100.0 %	**100.0 %**	100.0 %

Deductibles, copayments, and coinsurance under third-party payment programs which are the patient's responsibility are included within the primary payor category in the preceding table.

The primary collection risks relate to uninsured patient accounts, including patient accounts for which the primary insurance carrier has paid the amounts covered by the applicable agreement, but patient deductibles and copayments remain outstanding. Accounts are written off when all reasonable internal and external collection efforts have been performed.

2. Significant Accounting Policies (continued)

Implicit price concessions relate primarily to amounts due directly from patients. Estimated implicit price concessions are recorded for all uninsured accounts, regardless of the aging of those accounts. The estimates for implicit price concessions are based upon management's assessment of historical write-offs and expected net collections, business and economic conditions, trends in federal, state and private employer health care coverage and other collection indicators.

Management relies on the results of detailed reviews of historical write-offs and collections of revenues and accounts receivable as a primary source of information in estimating the collectability of accounts receivable. Management updates the hindsight analysis at least quarterly, using primarily a rolling twelve-month collection history and write-off data. These routine, quarterly changes in estimates have not resulted in material adjustments to the valuations of accounts receivable or period-to-period comparisons of results of operations.

Other Operating Revenue

Other operating revenues are recorded at amounts the System expects to collect in exchange for providing goods or services not directly associated with patient care and recorded over the time in which obligations to provide goods or services are satisfied. The amounts recognized reflect consideration due from customers, third party payors, and others.

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

Components of other operating revenue are included in the following table for the years ended June 30, 2022 and 2021:

	The years ended June 30,	
	2022	**2021**
Cafeteria and vending	**$ 66,218**	$ 58,099
COVID-19 funding (*see Note 3*)	**365,892**	912,912
Contracted services	**220,406**	206,825
Donations and grants	**100,029**	80,518
Gains on asset sales	**416,633**	87,714
Insurance plans	**110,650**	77,343
Joint venture income	**232,486**	218,943
Lab services	**84,017**	89,852
Lease and rental income	**93,904**	84,940
Retail pharmacy	**593,004**	456,228
Supplemental care programs	**255,456**	288,063
Other	**237,331**	229,120
Total other revenue	**$ 2,776,026**	$ 2,790,557

Supplemental care is revenue related to expansion and improvement of care through programs including accountable care organizations, shared savings, and other similar arrangements. Contracted services primarily include revenue from services provided under third party arrangements.

2. Significant Accounting Policies (continued)

Nonrecurring Gains (Losses), Net

Nonrecurring gains (losses) are primarily related to natural disasters and related insurance proceeds and other recoveries.

Amortization

Bond issuance costs, discounts, and premiums are amortized over the term of the bonds or the fixed interest period, if applicable, primarily using a method approximating the effective interest method.

Income Taxes

The member healthcare entities of the System are primarily tax-exempt organizations under Internal Revenue Code Section 501(c)(3) or Section 501(c)(2), and their related income is exempt from federal income tax under Section 501(a). The System accounts for uncertainty in income tax positions by applying a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The System has determined that no material unrecognized tax benefits or liabilities exist as of June 30, 2022.

The System had deferred tax assets of approximately $500,000 and $496,000 for federal and state income tax purposes primarily related to net operating loss carryforwards for the years ended June 30, 2022 and 2021, respectively. Net operating losses incurred prior to July 1, 2018 have expiration dates through 2038, while net operating losses incurred after July 1, 2018 can be carried forward indefinitely, under the Tax Cuts and Jobs Act of 2017. A valuation allowance of approximately $497,000 and $494,000 is recognized at June 30, 2022 and 2021, respectively, due to the uncertainty regarding use of the deferred tax assets.

Regulatory Compliance

Ascension periodically undergoes investigations or audits by federal, state and local agencies involving compliance with a variety of laws and regulations. These investigations seek to determine compliance with, among other things, laws and regulations relating to Medicare and Medicaid reimbursement, including billing practice for certain services.

2. Significant Accounting Policies (continued)

While no assurance can be given concerning the outcome of any current investigation, management believes that adequate reserves have been established, when available information indicates that a loss is probable and the range of loss can be reasonably estimated.

Reclassifications

Certain reclassifications were made to the June 30, 2022 Consolidated Financial Statements to conform to the June 30, 2021 presentation.

Subsequent Events

The System evaluates the impact of subsequent events, which are events that occur after the Consolidated Balance Sheet date, but before the Consolidated Financial Statements are issued, for potential recognition or disclosure in the Consolidated Financial Statements as of the Consolidated Balance Sheet date. For the years ended June 30, 2022, the System evaluated subsequent events through September 14, 2022, representing the date on which the Consolidated Financial Statements were issued.

3. COVID-19

In March 2021 and 2020, the U.S. government issued legislation to authorize funding to healthcare providers to prevent, prepare for, and respond to coronavirus, and to reimburse the recipient for health care related expenses and lost revenues attributable to coronavirus. Additionally, funds are available to reimburse providers for COVID-19 related treatment of uninsured patients. Ascension has recognized revenue (COVID-19 Funding) from payments received under these pieces of legislation.

For the years ended June 30, 2022 and 2021, the System recognized COVID-19 Funding revenue of $365,892 and $912,912, respectively, which is included in other operating revenue in the Consolidated Statement of Operations and Changes in Net Assets. Management continues to monitor compliance with the terms and conditions of the COVID-19 Funding. If unable to attest to or comply with current or future terms and conditions, the System’s ability to retain some or all of the distributions received may be impacted.

3. COVID-19 (continued)

In April 2020, the System requested Medicare advanced payments under the Centers for Medicare and Medicaid Services' Accelerated and Advanced Payment Program (Program) designed to increase cash flow to Medicare providers and suppliers impacted by COVID-19. Of the approximate $2,000,000 the System received in April 2020, recoupments of approximately $1,461,000 have occurred in accordance with the terms of the Program, of which $1,262,000 occurred during the year ended June 30, 2022.

4. Organizational Changes

Divestitures

During the years ended June 30, 2022 and 2021, Ascension, including certain of its wholly owned subsidiaries, completed the sale of, or undertook actions to sell or transfer ownership of, certain assets and liabilities as follows.

Assets Held for Sale / Sold

In February 2022, Ascension, through certain of its controlled affiliates, and Laboratory Corporation of America Holdings (Labcorp) entered into agreements whereby Ascension will transition certain assets of its outreach laboratory business to Labcorp, and will also transition management of Ascension's hospital-based laboratories in certain markets to Labcorp. At June 30, 2022, assets held for sale of approximately $62,000 are included in other current assets in the Consolidated Balance Sheet. This transition is expected to be finalized in fiscal year 2023.

Effective August 1, 2021, Ministry Health Care, Inc., a wholly owned subsidiary of Ascension, completed the transition of its sole membership interest in seven hospitals and related clinical and other business representing substantially all operations in the Northern and Central Wisconsin markets to Aspirus, Inc. At June 30, 2021 assets held for sale are $355,312, including restricted assets of $90,145, and liabilities held for sale are $30,930. Assets and liabilities held for sale are included in other current assets and other current liabilities in the Consolidated Balance Sheet at that date.

4. Organizational Changes (continued)

Effective August 1, 2020, Ascension St. Clare's Hospital, Inc., an Ascension Wisconsin subsidiary, completed the sale of certain of its assets and liabilities and substantially all related operations, as well as interests in two related joint ventures, to MCHS Hospitals, Inc., a subsidiary of Marshfield Clinic, Inc.

Membership Donation

Effective September 1, 2020, Ascension completed the separation of St. Mary's Healthcare, a wholly owned subsidiary of Ascension located in Amsterdam, New York. The separation was accounted for as a donation of unrestricted net assets of approximately $135,000 included in other nonoperating gains (losses) and restricted net assets of approximately $13,000 included in other net assets with donor restrictions in the Consolidated Statements of Operations and Changes in Net Assets.

Other

Effective April 1, 2022, Ascension and Adventist Health System Sunbelt Healthcare Corporation (AdventHealth), have disaffiliated from AMITA Health, the joint operating company that had served the healthcare needs of the greater Chicago area from 2015 through March 31, 2022. Beginning April 1, 2022, Ascension operates and continues to consolidate its 15 hospitals and related healthcare facilities in the Chicagoland area separately from AdventHealth.

5. Investment Funds

A significant portion of the System's investments are held within the Investment Funds, with additional investments held by the Ministry Markets and their consolidated foundations outside of the Investment Funds.

Alpha Fund

The Alpha Fund is consolidated by the System, and includes the investment interests of the System and noncontrolling Alpha Fund investors.

AIM, a wholly owned subsidiary of the System, serves as the manager and primary investment advisor of the Alpha Fund, overseeing the investment strategies offered to the Alpha Fund's investors. AIM provides expertise in the areas of asset allocation, selection and monitoring of outside investment managers, and risk management.

5. Investment Funds (continued)

Ascension and the Alpha Fund invest in certain alternative investment funds which include contractual commitments to provide capital contributions during the investment period, which is typically five years and can extend to the end of the fund term. During these contractual periods, investment managers may require capital contributions in accordance with the terms of the agreement.

Commitments not funded during the investment period will expire and remain unfunded. As of June 30, 2022, contractual agreements expire between July 2022 and June 2028. The remaining unfunded capital commitments total approximately $1,790,000 for 277 individual funds as of June 30, 2022. Due to the uncertainty surrounding whether the contractual commitments will require funding during the contractual period, future minimum payments to meet these commitments cannot be reasonably estimated. These committed amounts are expected to be primarily satisfied by the liquidation of existing investments in the Alpha Fund.

In the normal course of business, the Alpha Fund enters into derivative contracts (derivatives) for trading purposes, following Alpha Fund guidelines. Advisors selected by AIM to manage the Alpha Fund's assets may actively trade futures contracts, options, swaps, forward settling mortgage-backed securities, index-based instruments, and foreign currency forward contracts.

AIM may direct these advisors to execute derivative transactions. These transactions are used to hedge against changes in the interest rates, security prices, currency fluctuations, and other market developments to manage risk or for the purposes of earning additional income. Derivatives are either exchange-traded or over the counter contracts. Exchange-traded derivatives are standard contracts traded on a regulated exchange. Over the counter contracts are private contracts negotiated with counterparties.

At June 30, 2022 and June 30, 2021, the gross notional value of Alpha Fund derivatives outstanding was approximately $13,344,000 and $11,879,000, respectively. See the Fair Value Measurements note for discussion of the Alpha Fund derivatives' fair value determination.

The fair value of Alpha Fund derivatives in an asset position was $130,625 and $167,757 at June 30, 2022 and June 30, 2021, respectively, while the fair value of Alpha Fund derivatives in a liability position was $548,073 and $40,360 at June 30, 2022 and June 30, 2021, respectively. These derivatives are included in long-term investments in the Consolidated Balance Sheets.

Due from brokers and due to brokers on the Consolidated Balance Sheets represent the Alpha Fund's positions and amounts due from or to various brokers, primarily for security transactions not yet settled.

(Dollars in Thousands)

5. Investment Funds (continued)

Venture Funds

The Venture Funds are consolidated by the System, and include the investment interests of the System and other noncontrolling limited partners. The general partners of the Venture Funds are wholly owned subsidiaries of AV Holding Company. The Venture Funds invest primarily in equity securities of privately held domestic entities, and are reported at fair value.

6. Cash and Investments

The System's cash and investments are reported in the Consolidated Balance Sheets as presented in the table that follows. Total cash and investments, net, includes the net assets of Investment Funds. Other assets (liabilities), net of the Investment Funds are primarily amounts due from and to brokers. System unrestricted cash and investments, net, represent the System's cash and investments excluding assets limited as to use and the noncontrolling interests of Investment Funds.

	June 30, 2022	June 30, 2021
Cash and cash equivalents	**$ 747,084**	$ 670,022
Short-term investments	**70,284**	97,222
Long-term investments	**22,058,171**	26,768,323
Subtotal	**22,875,539**	27,535,567
Investment Funds' other assets (liabilities), net	**86,150**	(98,981)
Total cash and investments, net	**22,961,689**	27,436,586
Less noncontrolling interest of Investment Funds	**2,012,636**	2,510,212
System cash and investments, including assets limited as to use	**20,949,053**	24,926,374
Less assets limited as to use:		
Under bond indenture agreement	**157**	1,177
Self-insurance trust funds	**795,202**	844,013
With donor restrictions	**697,415**	715,106
Total assets limited as to use	**1,492,774**	1,560,296
System unrestricted cash and investments, net	**$ 19,456,279**	$ 23,366,078

(Dollars in Thousands)

6. Cash and Investments (continued)

The System's composition of cash and cash equivalents, short-term investments and long-term investments, which include certain assets limited as to use, is summarized as follows.

	June 30, 2022	June 30, 2021
Cash and cash equivalents and short-term investments	**$ 911,686**	$ 837,416
Pooled short-term investment funds	**917,281**	1,502,891
U.S. government, state, municipal and agency obligations	**4,358,500**	4,056,443
Corporate and foreign fixed income securities	**1,909,257**	2,798,810
Asset-backed securities	**3,129,401**	2,814,692
Equity securities	**4,328,562**	8,507,145
Alternative investments and other investments:		
Private equity and real estate funds	**4,811,569**	4,193,658
Private credit and energy funds	**1,600,318**	1,450,386
Hedge funds	**835,556**	989,114
Other investments	**73,409**	385,012
Total alternative investments and other investments	**7,320,852**	7,018,170
Total cash and cash equivalents, short-term investments, and long-term investments	**$ 22,875,539**	$ 27,535,567

Investment return recognized by the System for the years ended June 30, 2022 and 2021, is summarized in the following table. Total investment return includes the System's return on Investment Funds and on certain investments held and managed outside the Investment Funds. System investment return is net of the investment return earned by the noncontrolling interests of the Investment Funds.

	The years ended June 30,	
	2022	2021
Interest and dividends	**$ 347,433**	$ 377,061
Net gains (losses) on investments reported at fair value	**(1,673,058)**	5,627,863
Restricted investment return and unrealized gains (losses), net	**(15,767)**	95,718
Total investment return, net	**(1,341,392)**	6,100,642
Less Investment Funds' noncontrolling interest return, net	**(155,552)**	707,008
System investment return, net	**$ (1,185,840)**	$ 5,393,634

Total and system investment returns are net of external and direct internal investment expenses.

(Dollars in Thousands)

7. Financial Assets and Liquidity Resources

As of June 30, 2022 and June 30, 2021, respectively, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, principal payments on debt, and capital expenditures not financed with debt, are as follows:

Financial assets:	**June 30, 2022**	June 30, 2021
Cash and cash equivalents	**$ 747,084**	$ 670,022
Short-term investments	**70,284**	97,222
Accounts receivable	**3,435,376**	3,253,061
Due from brokers	**142,075**	97,225
Other current assets	**940,169**	1,120,666
Long-term investments	**22,058,171**	26,768,323
Total financial assets	**27,393,159**	32,006,519
Less:		
Assets limited as to use and internally designated funds	**(1,529,771)**	(1,653,166)
Noncontrolling interests of Investment Funds	**(2,012,636)**	(2,510,212)
Investments with liquidity more than one year	**(5,511,336)**	(4,897,829)
Total financial assets available within one year	**18,339,416**	22,945,312
Liquidity resources:		
Unused line(s) of credit	**1,000,000**	600,000
Total financial assets and liquidity resources available within one year	**$ 19,339,416**	$ 23,545,312

As part of the System's investment policy, highly liquid investments are held to enhance the System's ability to satisfy liquidity requirements. The System also maintains a line of credit.

8. Fair Value Measurements

The System measures the fair value of assets and liabilities in accordance with FASB ASC 820, *Fair Value Measurement*. Under ASC 820, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability at the measurement date. Assets and liabilities reported at fair value are classified and disclosed in one of the following four categories:

> Level 1 – Quoted prices (unadjusted) that are readily available in active markets/exchanges for identical assets or liabilities.
>
> Level 2 – Pricing inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 pricing inputs include prices quoted for similar assets and liabilities in active markets/exchanges or prices quoted for identical or similar assets and liabilities in markets that are not active. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability.
>
> Level 3 – Significant pricing inputs that are unobservable for the asset or liability, including assets or liabilities for which there is little, if any, market activity for such asset or liability. Inputs to determine the fair value of Level 3 assets and liabilities require management judgment and estimation.
>
> Net Asset Value – Values are based on the calculated net asset value. The calculated net asset values for underlying investments are fair value estimates determined by an external fund manager and other sources based on quoted market prices, operating results, balance sheet stability, growth, and other business and market sector factors.

The System categorizes, for disclosure purposes, assets and liabilities measured at fair value in the Consolidated Financial Statements based upon whether the inputs used to determine their fair values are observable or unobservable. Observable inputs are inputs that are based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about pricing the asset or liability based on the best information available in the circumstances.

8. Fair Value Measurements (continued)

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an asset's or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement of the asset or liability. The System's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

As of June 30, 2022, and June 30, 2021, the assets and liabilities listed in the fair value hierarchy tables below use the following valuation techniques and inputs:

Cash and Cash Equivalents and Short-Term Investments

Cash and cash equivalents and certain short-term investments include certificates of deposit, whose fair value is based on cost plus accrued interest. Significant observable inputs include security cost, maturity, and relevant short-term interest rates.

Other short-term investments designated as Level 2 investments primarily consist of commercial paper, whose fair value is based on the income approach. Significant observable inputs include security cost, maturity, credit rating, interest rate, and par value.

Pooled Short-Term Investment Fund

The pooled short-term investment fund is a short-term exchange traded money market fund primarily invested in treasury securities.

U. S. Government, State, Municipal, and Agency Obligations

The fair value of investments in U.S. government, state, municipal, and agency obligations is primarily determined using techniques consistent with the income approach. Significant observable inputs include benchmark yields, reported trades, observable broker/dealer quotes, and issuer spreads.

8. Fair Value Measurements (continued)

Corporate and Foreign Fixed Income Securities

The fair value of investments in U.S. and international corporate bonds and foreign government bonds is primarily determined using techniques that are consistent with the market approach. Significant observable inputs include benchmark yields, reported trades, observable broker/dealer quotes, issuer spreads, and security-specific characteristics (e.g., such as early redemption options).

Asset-backed Securities

The fair value of U.S. agency, mortgage, and other asset-backed securities is primarily determined using techniques that are consistent with the income approach. Significant observable inputs include prepayment speeds and spreads, benchmark yield curves, volatility measures, and observable broker/dealer quotes.

Equity Securities

The fair value of investments in U.S. and international equity securities is primarily determined using techniques that are consistent with the market and income approaches. The values for underlying investments are based on readily available quoted market prices or represent fair value estimates based on market prices, operating results, balance sheet stability, growth, dividend, dividend yield, and other business and market sector fundamentals.

Alternative Investments and Other Investments

Alternative investments consist of private equity, hedge funds, private equity funds, private credit and energy funds, and real estate partnerships. The fair value of private equity is primarily determined using techniques consistent with both the market and income approaches, based on the System's estimates and assumptions in the absence of observable market data. The market approach considers comparable company, comparable transaction, and company-specific information, including but not limited to restrictions on disposition, subsequent purchases of the same or similar securities by other investors, pending mergers or acquisitions, and current financial position and operating results. The income approach considers the projected operating performance of the portfolio company.

8. Fair Value Measurements (continued)

The fair value of hedge funds, private equity funds, private credit and energy funds, and real estate partnerships is primarily determined using net asset values, which approximate fair value, as determined by an external fund manager based on quoted market prices, operating results, balance sheet stability, growth, and other business and market sector fundamentals.

Other investments include primarily exchange traded commodities and derivative assets and derivative liabilities of the Alpha Fund. Fair values of derivatives are primarily determined using techniques consistent with the market approach. Significant observable inputs to valuation models include the time value of money, counterparty credit risk, interest rates, Treasury yields, volatilities, credit spreads, maturity date, recovery rates, and the current market and contractual prices of the underlying financial instruments.

Benefit Plan Assets

The fair value of benefit plan assets is based on original investment into a guaranteed fund, plus guaranteed, annuity contract-based interest rates. Significant unobservable inputs to the guaranteed rate include the fair value and average duration of the portfolio of investments underlying annuity contract, the contract value, and the annualized weighted-average yield to maturity of the underlying investment portfolio.

Interest Rate Swap Assets and Liabilities

The fair value of interest rate swaps is primarily determined using techniques consistent with the income method. Under the income method, fair values are calculated based on present value of expected future cash flows using discount rates appropriate with risks involved.

Significant observable inputs to valuation models include interest rates, Treasury yields, volatilities, credit spreads, maturity, and recovery rates.

Investments Sold, Not Yet Purchased

The fair value of investments sold, not yet purchased is primarily determined using techniques consistent with the income approach. Significant observable inputs to the income approach include data points for benchmark, constant maturity curves, and spreads.

(Dollars in Thousands)

8. Fair Value Measurements (continued)

The following table summarizes fair value measurements, by level, at June 30, 2022, for all financial assets and liabilities measured at fair value on a recurring basis in the System's Consolidated Financial Statements:

	Level 1	Level 2	Level 3	Total
June 30, 2022				
Cash equivalents	$ 24,997	$ 14,975	$ -	$ 39,972
Short-term investments	56,426	9,845	-	66,271
Pooled short-term investment funds	917,281	-	-	917,281
U.S. government, state, municipal and agency obligations	-	4,358,500	-	4,358,500
Corporate and foreign fixed income securities	-	1,908,101	1,156	1,909,257
Asset-backed securities	-	2,918,459	210,942	3,129,401
Equity securities	2,486,729	16,551	37,171	2,540,451
Alternative investments and other investments:				
Private equity and real estate funds	-	-	574,873	574,873
Other investments, including derivatives, net	340,594	(344,325)	3,887	156
Assets at net asset value:				
Equity securities				1,788,111
Private equity and real estate funds				4,236,200
Private credit and energy funds				1,600,318
Hedge funds				835,556
Other investments				5,811
Cash and other investments not at fair value				873,381
Cash and investments				$ 22,875,539
Benefit plan assets, in other noncurrent assets	$ 541,191	$ -	$ 58,439	$ 599,630
Investments sold, not yet purchased, in other noncurrent liabilities	4	830	-	834
Interest rate swaps, included in other noncurrent liabilities	-	57,911	-	57,911

(Dollars in Thousands)

8. Fair Value Measurements (continued)

For the year ended June 30, 2022, the changes in the fair value of the assets and liabilities measured using significant unobservable inputs (Level 3) consisted of the following:

	Corporate and Foreign Fixed Income Securities	Asset-Backed Securities	Equity Securities	Private Equity and Real Estate Funds	Other Investments	Benefit Plan Assets
The year ended June 30, 2022						
Beginning balance	$ 8,009	$ 479,273	$ 33,151	$ 733,753	$ 3,711	$ 58,504
Realized and unrealized gains (losses):						
Included in nonoperating gains (losses)	758	(32,328)	(11,430)	(29,839)	967	-
Included in changes in net assets	-	-	-	-	(533)	-
Purchases	2,092	72,746	31,326	76,276	135	11,740
Sales	(9,091)	(296,517)	(16,182)	(202,613)	(393)	(14,904)
Transfers into Level 3	-	1,688	306	3,723	-	12,129
Transfers out of Level 3	(612)	(13,920)	-	(6,427)	-	(9,030)
Ending balance	$ 1,156	$ 210,942	$ 37,171	$ 574,873	$ 3,887	$ 58,439
The amount of total gains or losses for the period included in nonoperating gains (losses) attributable to the changes in unrealized gains or losses relating to assets still held at June 30, 2022	$ (58)	$ (25,624)	$ (5,864)	$ -	$ 584	$ -

The basis for recognizing and valuing transfers into or out of Level 3, in the Level 3 rollforward, is as of the beginning of the period in which the transfers occur.

(Dollars in Thousands)

8. Fair Value Measurements (continued)

The following table summarizes fair value measurements, by level, at June 30, 2021, for all financial assets and liabilities measured at fair value on a recurring basis in the System's Consolidated Financial Statements:

	Level 1	Level 2	Level 3	Total
June 30, 2021				
Cash equivalents	$ 19,508	$ 3,826	$ -	$ 23,334
Short-term investments	78,134	9,962	-	88,096
Pooled short-term investment funds	1,502,891	-	-	1,502,891
U.S. government, state, municipal and agency obligations	-	4,056,443	-	4,056,443
Corporate and foreign fixed income securities	-	2,790,801	8,009	2,798,810
Asset-backed securities	-	2,335,419	479,273	2,814,692
Equity securities	6,570,042	13,912	33,151	6,617,105
Alternative investments and other investments:				
Private equity and real estate funds	-	2,500	733,753	736,253
Other investments, including derivatives, net	215,024	96,079	3,711	314,814
Assets at net asset value:				
Equity securities				1,890,040
Private equity and real estate funds				3,456,906
Private credit and energy funds				1,450,386
Hedge funds				989,114
Other investments				5,343
Cash and other investments not at fair value				791,340
Cash and investments				$ 27,535,567
Benefit plan assets, in other noncurrent assets	$ 657,870	$ 17,381	$ 58,504	$ 733,755
Interest rate swaps, in other noncurrent assets	-	2,497	-	2,497
Investments sold, not yet purchased, in other noncurrent liabilities	175	469	-	644
Interest rate swaps, included in other noncurrent liabilities	-	126,554	-	126,554

(Dollars in Thousands)

8. Fair Value Measurements (continued)

For the year ended June 30, 2021, the changes in the fair value of the assets and liabilities measured using significant unobservable inputs (Level 3) consisted of the following:

	Corporate and Foreign Fixed Income Securities	Asset-Backed Securities	Equity Securities	Private Equity and Real Estate Funds	Other Investments	Benefit Plan Assets
The year ended June 30, 2021						
Beginning balance	$ 7,489	$ 734,511	$ 20,921	$ 351,731	$ 3,817	$ 59,435
Realized and unrealized gains (losses):						
Included in nonoperating gains (losses)	6,102	57,997	2,751	497,064	557	-
Included in changes in net assets	-	-	-	(108)	(16)	-
Purchases	7,689	174,999	8,799	79,229	735	3,402
Issuances	-	-	-	332	-	-
Sales	(15,500)	(415,244)	(1,134)	(140,604)	(72)	(8,971)
Transfers into Level 3	2,229	3,720	1,814	15	-	7,995
Transfers out of Level 3	-	(76,710)	-	(53,906)	(1,310)	(3,357)
Ending balance	$ 8,009	$ 479,273	$ 33,151	$ 733,753	$ 3,711	$ 58,504
The amount of total gains or losses for the period included in nonoperating gains (losses) attributable to the changes in unrealized gains or losses relating to assets still held at June 30, 2021	$ (1,357)	$ 35,713	$ 2,850	$ -	$ (65)	$ -

The basis for recognizing and valuing transfers into or out of Level 3, in the Level 3 rollforward, is as of the beginning of the period in which the transfers occur.

(Dollars in Thousands)

9. Long-Term Debt

Long-term debt at June 30, 2022 and 2021 is comprised of the following and is presented in accordance with the specific master trust indenture to which the debt relates.

	June 30, 2022	June 30, 2021
Tax-exempt hospital revenue bonds – secured under Ascension Health Alliance Senior Credit Group Master Trust Indenture:		
Variable rate demand bonds, subject to a seven-day put provision, payable through November 2047; interest (0.85% to 0.97% at June 30, 2022) set at prevailing market rates	**$ 481,535**	$ 490,085
Fixed rate serial, term, and mode bonds fixed to maturity payable in installments through November 2047; interest at 3.00% to 5.00%	**2,892,610**	2,941,765
Fixed rate serial mode bonds payable through 2047 with purchase dates ranging from November 2022 through December 2024; interest at 1.85% to 5.00% through the purchase dates	**457,570**	592,260
Tax-exempt hospital revenue bonds – unsecured under Ascension Health Alliance Subordinate Master Trust Indenture:		
Variable rate demand bonds issued under the Subordinate Master Trust Indenture, subject to a seven-day put provision, payable through November 2025; interest (0.85% at June 30, 2022) set at prevailing market rates	**17,600**	22,215
Fixed rate serial, term, and mode bonds issued under the Subordinate Master Trust Indenture fixed to maturity payable in installments through November 2027; interest at 4.00% to 5.00%	**97,770**	115,740
Taxable bonds – secured under Ascension Health Alliance Senior Credit Group Master Trust Indenture:		
Taxable fixed rate term bonds payable as of November 2053; interest at 4.847%	**425,000**	425,000
Taxable fixed rate term bonds payable as of November 2046; interest at 3.945%	**1,170,000**	1,170,000
Taxable fixed rate term bonds payable through November 2039; interest at 2.532% to 3.106%	**1,447,600**	1,447,600
Total hospital revenue bonds under Senior Master Trust Indenture and Subordinate Master Trust Indenture	**$ 6,989,685**	$ 7,204,665

(Dollars in Thousands)

9. Long-Term Debt (continued)

	June 30, 2022	June 30, 2021
Total hospital revenue bonds – all Master Trust Indentures	**$ 6,989,685**	$ 7,204,665
Other	**36,394**	36,992
	7,026,079	7,241,657
Unamortized premium, net	**283,635**	319,350
Less debt issuance cost, net	**(33,656)**	(35,879)
Less current portion	**(91,618)**	(92,406)
Less long-term debt subject to short-term remarketing arrangements	**(774,630)**	(627,390)
Long-term debt, less current portion and long-term debt subject to short-term remarketing arrangements	**$ 6,409,810**	$ 6,805,332

Scheduled principal repayments of long-term debt, considering obligations subject to short-term remarketing as due according to their long-term amortization schedule, as of June 30, 2022, are as follows:

	Ascension Health Alliance MTIs	Other Debt	Total
The years ending June 30:			
2023	$ 85,665	$ 5,953	$ 91,618
2024	90,670	9,680	100,350
2025	96,665	5,616	102,281
2026	102,150	2,258	104,408
2027	107,780	2,351	110,131
Thereafter	6,506,755	10,536	6,517,291
Total	**$ 6,989,685**	**$ 36,394**	**$ 7,026,079**

The fair value of fixed rate bonds is $6,358,583 and $7,778,076 at June 30, 2022 and 2021, respectively, representing Level 2 measurements obtained from an independent third-party valuation service. The carrying amounts of variable rate bonds and other notes payable approximate fair value.

During the years ended June 30, 2022 and 2021, interest paid was approximately $268,000 and $274,000, respectively. Capitalized interest was approximately $8,900 and $4,600 for the years ended June 30, 2022 and 2021, respectively.

9. Long-Term Debt (continued)

Certain members of the System formed the Ascension Health Alliance Credit Group (Senior Credit Group). Each Senior Credit Group member is identified as either a senior obligated group member, a senior designated affiliate, or a senior limited designated affiliate. Senior obligated group members are jointly and severally liable under a Senior Master Trust Indenture (Senior MTI) to make all payments required with respect to obligations under the Senior MTI.

Senior designated affiliates and senior limited designated affiliates are not obligated to make debt service payments on the obligations under the Senior MTI. The System may cause each senior designated affiliate to transfer such amounts as are necessary to enable the obligated group to comply with the terms of the Senior MTI, including payment of the outstanding obligations.

Additionally, each senior limited designated affiliate has an independent limited designated affiliate agreement and promissory note with the System with stipulated repayment terms and conditions, each subject to the governing law of the senior limited designated affiliate's state of incorporation.

Pursuant to a Supplemental Master Indenture dated February 1, 2005, senior obligated group members, which are operating entities, have pledged and assigned to the Master Trustee a security interest in all of their rights, title, and interest in their pledged revenues and proceeds thereof.

A Subordinate Credit Group, which is comprised of subordinate obligated group members, subordinate designed affiliates, and subordinate limited designated affiliates, was created under the Subordinate Master Trust Indenture (Subordinate MTI). The subordinate obligated group members are jointly and severally liable under the Subordinate MTI to make all payments required with respect to obligations under the Subordinate MTI and may be entities not controlled directly or indirectly by the System. Subordinate designated affiliates and subordinate limited designated affiliates are not obligated to make debt service payments on the obligations under the Subordinate MTI.

The System may cause each subordinate designated affiliate to transfer such amounts as are necessary to enable the obligated group members to comply with the terms of the Subordinate MTI, including payment of the outstanding obligations. Additionally, each subordinate limited designated affiliate has an independent subordinate limited designated affiliate agreement and promissory note with the System, which stipulated repayment terms and conditions, each subject to the governing law of the subordinate limited designated affiliate's state of incorporation.

9. Long-Term Debt (continued)

The unsecured variable rate demand bonds of both the Senior and Subordinate Credit Groups, while subject to long-term amortization periods, may be put to the System at the option of the bondholders in connection with certain remarketing dates. To the extent that bondholders may, under the terms of the debt, put their bonds within twelve months after June 30, 2022, the principal amount of such bonds has been classified as a current liability in the Consolidated Balance Sheets. Management believes the likelihood of a material amount of bonds being put to the System to be remote. However, to address this possibility, management has taken steps to provide various sources of liquidity in the event any bonds would be put, including the line of credit, commercial paper program, and maintaining unrestricted assets as a source of self-liquidity.

In April 2021, the Senior Credit Group issued $437,000 taxable bonds. The debt was issued primarily to retire long-term interest rate bonds scheduled for mandatory tender and remarketing

between April 2021 and April 2022, subject to market conditions, and refund the Wisconsin 2013A and Kansas 2013 bonds in April 2021. As of June 30, 2022, all of the bonds have been retired or defeased.

Losses on extinguishment of debt of $19,636 were recorded in nonoperating gains (losses) in the Consolidated Statements of Operations and Changes in Net Assets for the year ended June 30, 2021. No debt extinguishment losses were incurred for the year ended June 30, 2022.

As of June 30, 2022, the Senior Credit Group has a line of credit totaling $1,000,000, which may be used for general corporate purposes. The line is committed through November 18, 2024, and as of June 30, 2022 and 2021 there were no outstanding borrowings under the line of credit.

As of June 30, 2022, the Senior Credit Group had a $115,000 revolving line of credit related to its letters of credit program toward which a bank commitment of $115,000 extends to November 8, 2024. The revolving line of credit may be accessed solely in the form of Letters of Credit issued by the bank for the benefit of the members of the Credit Groups. Of this $115,000 revolving line of credit, letters of credit totaling $87,166 have been issued as of June 30, 2022. No borrowings were outstanding under the letters of credit as of June 30, 2022 and 2021.

10. Derivative Instruments

As provided for in the System's Master Trust Indenture, the System uses interest rate swap agreements to manage interest rate risk associated with its outstanding debt. These swaps have historically been used to effectively convert interest rates on variable rate bonds to fixed rates and rates on fixed rate bonds to variable rates. At June 30, 2022 and June 30, 2021, the notional values of outstanding interest rate swaps were $826,215 and $894,445, respectively.

The System recognizes the fair value of its interest rate swaps in the Consolidated Balance Sheets as assets, recorded in other noncurrent assets, or liabilities, recorded in other noncurrent liabilities, as appropriate. The System does not offset fair value amounts recognized for derivative instruments. There are no interest rate swaps in an asset position at June 30, 2022. The fair value of interest rate swaps in an asset position at June 30, 2021 was $2,497. The fair value of interest rate swaps in a liability position was $57,911 and $126,554 at June 30, 2022 and June 30, 2021, respectively.

The System's interest rate swap agreements include collateral requirements for each counterparty under such agreements, based upon specific contractual criteria, subject to master netting arrangements. Collateral requirements are calculated based on the System's credit ratings. The applicable credit rating is the Senior Credit Group long-term debt credit ratings (Senior Debt Credit Ratings), as obtained from each of two major credit rating agencies. Credit rating and the net liability position of total interest rate swap agreements outstanding with each counterparty determine the amount of collateral to be posted. No collateral was posted as of June 30, 2022 and 2021.

The System does not designate its interest rate swaps as hedges, and accordingly, all changes in the fair value of interest rate swaps are recognized in nonoperating gains (losses) in the Consolidated Statements of Operations and Changes in Net Assets.

11. Leases

The System is a party to primarily real estate and medical and information technology equipment leases as a lessee and real estate leases as a lessor. Rental escalation clauses or renewal options are factored into the determination of lease payments when appropriate. To determine the present value of lease payments, the System utilizes its incremental borrowing rate at lease commencement when an implicit rate is not available for operating leases. In addition, the System does not separate lease and non-lease components.

(Dollars in Thousands)

11. Leases (continued)

All components of total lease cost are recognized in other operating expenses, excluding interest on finance lease liabilities, which is recognized in interest. The following table provides the total lease cost included in the Consolidated Statement of Operations and Changes in Net Assets:

	The years ended June 30, 2022	2021
Operating lease cost	**$ 346,811**	$ 328,383
Finance lease cost:		
Interest on lease liabilities	**2,919**	2,975
Amortization of right-of-use-asset	**2,840**	3,399
Variable lease cost	**65,397**	65,918
Total lease cost	**$ 417,967**	$ 400,675

The weighted average remaining lease terms and the weighted average discount rates at June 30, 2022 and 2021 were as follows:

	June 30, 2022		June 30, 2021	
	Operating Leases	Finance Leases	Operating Leases	Finance Leases
Weighted-average remaining lease term	8.3 years	27.5 years	8.5 years	28.5 years
Weighted-average discount rate	2.4%	3.3%	2.5%	3.3%

The following table provides the cash paid for amounts included in the measurement of lease obligations:

	The years ended June 30, 2022	2021
Operating leases	**$ 342,447**	$ 337,415
Finance leases	**4,069**	5,160
Total cash paid	**$ 346,516**	$ 342,575

(Dollars in Thousands)

11. Leases (continued)

The following table reconciles undiscounted future operating and finance lease obligations for each of the next five years and thereafter, as of June 30, 2022, to lease obligations recorded on the Consolidated Balance Sheets at June 30, 2022.

The years ending June 30:	Operating Leases	Finance Leases	Total
2023	$ 286,269	$ 3,935	$ 290,204
2024	237,322	4,004	241,326
2025	187,213	4,073	191,286
2026	154,078	4,145	158,223
2027	118,439	4,217	122,656
Thereafter	419,682	111,157	530,839
Total future undiscounted lease obligations	1,403,003	131,531	1,534,534
Less: amount of lease payments representing interest	(126,325)	(48,946)	(175,271)
Present value of future lease obligations	1,276,678	82,585	1,359,263
Less: current portion of lease obligations	(264,270)	(1,258)	(265,528)
Long-term lease obligations	$ 1,012,408	$ 81,327	$ 1,093,735

For leases where the System is a lessor, future minimum noncancelable receipts on operating leases for each of the next five years and thereafter, as of June 30, 2022, are as follows:

For the years ending June 30:	Operating Leases
2023	$ 66,423
2024	51,768
2025	40,960
2026	30,740
2027	24,799
Thereafter	347,728
Total	$ 562,418

For the years ended June 30, 2022 and 2021, lease income was approximately $85,000 and $77,000, respectively.

(Dollars in Thousands)

12. Retirement Plans

Certain System entities participate in defined-benefit pension plans (the System Plans), which are noncontributory, defined-benefit pension plans. Certain of these plans are cash balance plans. Benefits are based on each participant's years of service and compensation. Primarily all of the System Plans' assets are invested in the Master Pension Trust (the Trust).

Contributions to the System Plans are based on actuarially determined amounts sufficient to meet the benefits to be paid to participants. As of December 31, 2019, all System Plans were frozen.

The assets of the System Plans are available to pay the benefits of eligible employees and retirees of all participating entities. In the event entities participating in the System Plans are unable to fulfill their financial obligations under the System Plans, the other participating entities are obligated to do so.

The following table sets forth the combined benefit obligations and assets of the System Plans at June 30, 2022 and 2021, components of net periodic benefit costs for the years then ended, and a reconciliation of the amounts recognized in the Consolidated Financial Statements.

	The years ended June 30,	
	2022	**2021**
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	**$ 10,300,933**	$ 10,419,353
Interest Cost	**295,464**	301,822
Amendments	**-**	(829)
Assumption change	**(1,714,613)**	11,850
Actuarial loss	**143,612**	150,629
Benefits paid	**(620,448)**	(581,892)
Projected benefit obligation at end of year	**8,404,948**	10,300,933
Change in plan assets:		
Fair value of plan assets at beginning of year	**9,452,988**	8,249,692
Actual return (loss) on plan assets	**(881,069)**	1,777,407
Employer contributions	**947**	7,781
Benefits paid	**(620,448)**	(581,892)
Fair value of plan assets at end of year	**7,952,418**	9,452,988
Net amount recognized at end of year and funded status	**$ (452,530)**	$ (847,945)
Accumulated benefit obligation at end of year	**8,404,948**	10,300,933

(Dollars in Thousands)

12. Retirement Plans (continued)

The System Plans' funded status as a percentage of both the projected and accumulated benefit obligations were 94.6% and 91.8% at June 30, 2022 and 2021, respectively.

The following amounts included in net assets without donor restrictions at June 30, 2022 and 2021 have not yet been recognized in net periodic pension cost for the System Plans:

	The years ended June 30,	
	2022	**2021**
Unrecognized prior service credit	**$ 744**	$ 452
Unrecognized actuarial loss	**(2,131,754)**	(2,292,129)
Unrecognized net pension cost in net assets	**$ (2,131,010)**	$ (2,291,677)

Changes in plan assets and benefit obligations recognized in net assets without donor restrictions for System Plans during the years ended June 30, 2022 and 2021 include:

	The years ended June 30,	
	2022	**2021**
Current year actuarial gain	**$ 4,206**	$ 954,461
Amortization of actuarial loss	**156,169**	167,138
Current year prior service credit	**-**	829
Amortization of prior service cost	**292**	256
Increase in net assets	**$ 160,667**	$ 1,122,684

(Dollars in Thousands)

12. Retirement Plans (continued)

The following table provides the components of net periodic benefit gain for the System included in Other non-operating gains (losses) in the Consolidated Statements of Operations and Changes in Net Assets.

	The years ended June 30, 2022	2021
Components of net periodic benefit gain:		
Interest cost	**$ (295,464)**	$ (301,822)
Expected return on plan assets	**685,726**	660,468
Amortization of prior service cost	**(292)**	(256)
Amortization of actuarial loss	**(151,334)**	(163,622)
Settlement loss	**(4,835)**	(3,516)
Net periodic benefit gain	**$ 233,801**	$ 191,252

The assumptions used to determine the benefit obligation and net periodic benefit cost for the System Plans are set forth below:

	For the years ended June 30, 2022	2021
To determine benefit obligations:		
Discount rate	**5.05%**	3.00%
To determine net periodic benefit cost:		
Discount rate	**3.00%**	3.03%
Expected return on plan assets	**8.00%**	8.00%

For the System's cash balance plans, the assumed interest crediting rate to determine benefit obligations and net periodic benefit cost is 2.25% at June 30, 2022 and 2021.

The expected long-term rate of return on the System Plans' assets is based on historical and projected rates of return for current and planned asset categories in the investment portfolio. Assumed projected rates of return for each asset category were selected after analyzing historical experience and future expectations of the returns and volatility for assets of that category using benchmark rates.

12. Retirement Plans (continued)

Based on the target asset allocation among the asset categories, the overall expected rate of return for the portfolio was developed and adjusted for historical and expected experience of active portfolio management results compared to benchmark returns and for the effect of expenses paid from plan assets.

The System Plans' assets invested in the Trust are invested in a portfolio designed to protect principal and obtain competitive investment returns and long-term investment growth, consistent with actuarial assumptions, with a reasonable and prudent level of risk. Diversification is achieved by allocating to funds and managers that correlate to one of three economic strategies: growth, deflation, and inflation. Growth strategies include U.S. equity, emerging market equity, international equity, directional hedge funds, private equity, hedged equity, high yield, and private credit. Deflation strategies include core fixed income, absolute return hedge funds, opportunistic credit, and cash. Inflation strategies include inflation-linked bonds, core real estate, and real assets. The System Plans use multiple investment managers with complementary styles, philosophies, and approaches. In accordance with the System Plans' objectives, derivatives may also be used to gain market exposure in an efficient and timely manner.

In accordance with the System Plans' asset diversification targets, as presented in the table that follows, the Trust holds certain alternative investments, consisting of various hedge funds, private equity funds, and real estate funds. These investments do not have observable market values. As such, each of these investments is valued at net asset value (NAV) as determined by each fund's investment manager, which approximates fair value. Collectively, these funds have liquidity terms ranging from daily to annual with notice periods ranging from 30 to 180 days. Due to redemption restrictions, investments of certain private equity funds, whose fair value was approximately $1,719,000 at June 30, 2022, cannot currently be redeemed. However, the potential for the System Plans to sell their interest in hedge funds, private equity funds and real estate funds in a secondary market prior to the end of the fund term does exist.

The investments in these alternative investment funds may also include contractual commitments to provide capital contributions during the investment period, which is typically five years, and may extend to the end of the fund term. During these contractual periods, investment managers may require the System Plans to invest in accordance with the terms of the agreement. Commitments not funded during the investment period will expire and remain unfunded. As of June 30, 2022, investment periods expire between July 2022 and July 2027. The remaining unfunded capital commitments of the Trust total approximately $714,000 for 182 individual contracts as of June 30, 2022.

(Dollars in Thousands)

12. Retirement Plans (continued)

The weighted-average asset allocation for the System Plans in the Trust at June 30, 2022 and 2021 and the target allocation for fiscal 2023, by asset category, are as follows:

Asset Category:	Target Allocation 2023	Percentage of Plan Assets as of June 30, 2022	2021
Growth	56%	66%	59%
Deflation	30%	25%	28%
Inflation	14%	9%	13%
	100%	100%	100%

The following tables summarize fair value measurements at June 30, 2022 and 2021, by asset class and by level, for the System Plans' assets and liabilities. As also discussed in the Fair Value Measurements note, the System follows the three-level fair value hierarchy to categorize plan assets and liabilities recognized at fair value, which prioritize the inputs used to measure such fair values. The inputs and valuation techniques discussed in the Fair Value Measurements note also apply to the System Plans' assets and liabilities as presented in the following tables.

	Level 1	Level 2	Level 3	Total
June 30, 2022				
Short-term investments	$ 623,465	$ -	$ -	$ 623,465
U.S. government, state, municipal and agency obligations	-	2,270,299	-	2,270,299
Corporate and foreign fixed income securities	-	704,400	31	704,431
Asset-backed securities	-	1,241,957	4,086	1,246,043
Equity securities	722,225	8,199	3,058	733,482
Other investments, including derivatives, net	336,691	(243,951)	-	92,740
Assets at net asset value:				
Equity securities				99,543
Private equity and real estate funds				1,718,146
Hedge funds				392,468
Other assets and liabilities, net				71,801
Fair value of plan assets				$ 7,952,418

(Dollars in Thousands)

12. Retirement Plans (continued)

	Level 1	Level 2	Level 3	Total
June 30, 2021				
Short-term investments	$ 695,481	$ 55,984	$ -	$ 751,465
U.S. government, state, municipal and agency obligations	-	1,962,397	-	1,962,397
Corporate and foreign fixed income securities	-	757,527	761	758,288
Asset-backed securities	-	1,026,668	11,901	1,038,569
Equity securities	2,508,241	5,403	3,107	2,516,751
Other investments, including derivatives, net	229,111	13,398	-	242,509
Assets at net asset value:				
Corporate and foreign government fixed maturities				30,486
Equity securities				141,546
Private equity and real estate funds				1,519,845
Hedge funds				449,018
Other investments				2
Other assets and liabilities, net				42,112
Fair value of plan assets				$ 9,452,988

(Dollars in Thousands)

12. Retirement Plans (continued)

For the years ended June 30, 2022 and 2021, the changes in the fair value of the System Plans' assets measured using significant unobservable inputs (Level 3) consisted of the following:

	Corporate and Foreign Fixed Income Securities	Asset-Backed Securities	Equity Securities
June 30, 2022			
Beginning balance	**$ 761**	**$ 11,901**	**$ 3,107**
Total actual return on assets	**10**	**(207)**	**5**
Purchases, issuances, and settlements	**(740)**	**900**	**(54)**
Transfers (out of) into Level 3	**-**	**(8,508)**	**-**
Ending balance	**$ 31**	**$ 4,086**	**$ 3,058**
Actual return on plan assets relating to plan assets still held at June 30, 2022	**$ -**	**$ (79)**	**$ (24)**

	Corporate and Foreign Fixed Income Securities	Asset-Backed Securities	Equity Securities
June 30, 2021			
Beginning balance	$ 3,916	$ 12,122	$ 3,385
Total actual return on assets	(3,169)	(1,268)	(84)
Purchases, issuances, and settlements	214	7,604	46
Transfers (out of) into Level 3	(200)	(6,557)	(240)
Ending balance	$ 761	$ 11,901	$ 3,107
Actual return on plan assets relating to plan assets still held at June 30, 2021	$ (393)	$ (1,051)	$ (702)

(Dollars in Thousands)

12. Retirement Plans (continued)

The Trust has entered into a series of derivative agreements with a net notional amount of approximately $2,996,000. The combined targeted duration of these derivatives and the Trust's fixed income investments approximates the duration of the liabilities of the Trust. Currently, 60% of the dollar duration of the liability is subject to this economic hedge. The purpose of this strategy is to economically hedge the change in the net funded status for a significant portion of the liability that can occur due to changes in interest rates.

Information about the expected cash flows for the System Plans follows:

Expected employer contributions 2023	$	304
Expected benefit payments:		
2023		955,058
2024		682,716
2025		691,297
2026		682,468
2027		668,596
2028-2032		3,053,371

The contribution amount above includes expected amounts paid to Trust. The benefit payment amounts above reflect the total benefits expected to be paid from Trust.

Defined-Contribution Plans

System entities participate in contributory and noncontributory defined-contribution plans covering all eligible associates. Employer automatic contributions, employee contributions, and employer matching contributions are the primary types of contributions to the plans. Benefits for employer automatic contributions are determined as a percentage of a participant's salary and, for certain entities, increases over specified periods of employee service. These benefits are funded annually, and participants become fully vested over a period of time. Employer matching contributions are determined as a percentage of an eligible participant's contributions each payroll period. These benefits are funded each payroll period, and participants become fully vested in these employer contributions over time. Expenses for the defined-contribution plans were $436,930 and $443,356 for the years ended June 30, 2022 and 2021, respectively, and are included in employee benefits in the Consolidated Statements of Operations and Changes in Net Assets.

13. Self-Insurance Programs

Certain System hospitals and other entities participate in pooled risk programs to insure professional and general liability risks and workers' compensation risks to the extent of certain self-insured limits. Within these pooled risk programs, various insurance policies have been purchased to provide coverage in excess of the self-insured limits. The System provides this self-insurance through various trust funds and captive insurance companies. Actuarially determined amounts, discounted at 5.5%, are contributed to the trust funds and the captive insurance companies to provide for the estimated cost of claims. The associated loss reserves recorded for estimated self-insured professional, general liability, and workers' compensation claims include estimates of the ultimate costs for both reported claims and claims incurred but not reported, which were discounted at 5.5% in 2022 and 2021.

At June 30, 2022, the loss reserves for estimated self-insured professional, general liability, and workers' compensation claims reported prior to July 1, 2018 for entities acquired by Ascension in 2018, were actuarially determined and recorded on an undiscounted basis. These reserves are held outside of the pooled risk program. The self-insured professional and general liabilities for these claims are retained up to $20,000 per occurrence with no aggregate and subject to reinsurance by commercial carriers up to $170,000.

Professional and General Liability Programs

Professional and general liability coverage is primarily provided on a claims-made basis through a wholly owned onshore trust and through Ascension Health Insurance, Ltd. (AHIL), a direct subsidiary of Ascension Risk Services LLC.

For the current policy year ended June 30, 2022, the wholly owned onshore revocable trust has a self-insured retention up to $12,500 per occurrence with no aggregate. Excess coverage is provided through AHIL with limits up to $245,000. AHIL retains the first $10,000 per incident and in the aggregate for professional liability. The excess coverage is reinsured primarily by commercial carriers.

Employed physicians and certain entities in the states of Indiana and Kansas are provided coverage by ProAssurance Corporation (ProAssurance) on a fronted basis and are reinsured through AHIL. These entities and physicians are provided professional liability coverage with limits in compliance with participation in the state-specific Patient Compensation Fund programs.

13. Self-Insurance Programs (continued)

Sunflower Assurance, Ltd. (Sunflower), a wholly owned subsidiary of Ascension Risk Services LLC, offers physician professional liability coverage through insurance or reinsurance arrangements to non-employed physicians practicing at various facilities of the System. Coverage is offered to physicians with limits ranging from $100 per claim to $1,000 per claim with various aggregate limits.

Included in operating expenses in the Consolidated Statements of Operations and Changes in Net Assets is professional and general liability claim and insurance expense of $290,681 and $285,430 for the years ended June 30, 2022 and 2021, respectively. Included in current and long-term self-insurance liabilities on the Consolidated Balance Sheets are professional and general liability loss reserves, net of reinsurance recoveries, of $932,352 and $877,454 at June 30, 2022 and 2021, respectively.

Workers' Compensation

Workers' compensation coverage is primarily provided on an occurrence basis through a grantor trust. The self-insured trust provides coverage up to $1,500 per occurrence with no aggregate. The trust provides a mechanism for funding the workers' compensation obligations of its members.

Included in employee benefits in the Consolidated Statements of Operations and Changes in Net Assets is workers' compensation claim and insurance expense of $40,048 and $67,643 for the years ended June 30, 2022 and 2021, respectively. Included in current and long-term self-insurance liabilities on the Consolidated Balance Sheets are workers' compensation loss reserves, net of reinsurance recoveries, of $147,473 and $154,875 at June 30, 2022 and 2021, respectively.

14. Related Parties

The System has agreements with related parties for revenue cycle management services and clinical engineering services. The System expensed approximately $1,256,000 and $1,167,000 for these services during the years ended June 30, 2022 and 2021. During the year ended June 30, 2022, the System realized a gain of approximately $330,000 on its clinical engineering services investment, which is included in Other Operating Revenue.

(Dollars in Thousands)

15. Contingencies and Commitments

The System is involved in litigation and regulatory investigations arising in the ordinary course of business. In the opinion of management, after consultation with legal counsel, these matters are expected to be resolved without material adverse effect on the System's Consolidated Balance Sheets.

The System enters into agreements with non-employed physicians that include minimum revenue guarantees. The terms of the guarantees vary. The maximum amount of future payments that the System could be required to make under these guarantees is approximately $7,900.

The System has entered into Master Service Agreements for information technology services provided by third parties, under which future committed payments of approximately $650,400 will be made over the upcoming 3 to 5 years.

Guarantees and other commitments represent contingent commitments issued by Ascension Health Alliance Senior and Subordinate Credit Groups, generally to guarantee the performance of an affiliate to a third party in borrowing arrangements such as commercial paper issuances, bond financing, and other transactions. The terms of guarantees are equal to the terms of the related debt, which can be as long as 17 years.

The following represents the remaining guarantees and other commitments of the Senior and Subordinate Credit Groups at June 30, 2022:

Hospital de la Concepción 2017 Series A debt guarantee	$	18,375
St. Vincent de Paul Series 2000 A debt guarantee		28,300
Other guarantees and commitments		84,600

(Dollars in Thousands)

16. Functional Expenses

Ascension provides healthcare services, including inpatient, outpatient, ambulatory, long-term care and community-based services. Management support services include administration, finance and accounting, revenue cycle, information technology, public relations, human resources, legal, supply chain, risk management, compliance and other functions. Expenses are allocated to healthcare services and management support services based on the functional department for which they are incurred. Departmental expenses may include various allocations of costs based on direct assignment, expenses or other methods.

Expenses by functional classification for the year ended June 30, 2022 consist of the following:

	Health care services	Management support services	Total
Salaries, wages, and employee benefits	$ 13,412,411	$ 1,030,336	$ 14,442,747
Purchased services and professional fees	3,387,576	1,293,725	4,681,301
Supplies	4,135,514	6,018	4,141,532
Other	5,016,269	492,469	5,508,738
Total operating expenses	**$ 25,951,770**	**$ 2,822,548**	**$ 28,774,318**

Expenses by functional classification for the year ended June 30, 2021 consist of the following:

	Health care services	Management support services	Total
Salaries, wages, and employee benefits	$ 12,141,093	$ 1,093,721	$ 13,234,814
Purchased services and professional fees	3,076,204	1,189,604	4,265,808
Supplies	4,025,423	5,959	4,031,382
Other	4,660,996	492,033	5,153,029
Total operating expenses	$ 23,903,716	$ 2,781,317	$ 26,685,033

Supplementary Information

Building a better
working world

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Report of Independent Auditors on Supplementary Information

The Board of Directors
Ascension Health Alliance d/b/a Ascension

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Schedules of Net Cost of Providing Care of Persons Living in Poverty and Other Community Benefit Programs, Details of Consolidated Balance Sheet, and Details of Consolidated Statement of Operations and Changes in Net Assets for Consolidated Indiana are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Ernst & Young LLP

September 14, 2022

Ascension

Schedule of Net Cost of Providing Care of Persons Living in Poverty and Other Community Benefit Programs

(Dollars in Thousands)

The net cost of providing care to persons living in poverty and other community benefit programs is as follows:

	The years ended June 30, 2022	2021
Traditional charity care provided	**$ 547,099**	$ 493,781
Unpaid cost of public programs for persons living in poverty	**1,244,017**	1,176,036
Other programs for persons living in poverty and other persons who are vulnerable	**77,993**	75,202
Community benefit programs	**385,345**	557,833
Care of persons living in poverty and other community benefit programs	**$ 2,254,454**	$ 2,302,852

Ascension

Details of Consolidated Balance Sheet
(Dollars in Thousands)

June 30, 2022

	Consolidated Ascension	Consolidated Ascension less Health Ministries Presented	Reclassification	Consolidated Indiana	Consolidated Indiana less Other Entities Presented	St. Vincent Heart Center of Indiana, LLC
Assets						
Current assets:						
Cash and cash equivalents	$ 747,084	$ 664,133	$ -	$ 82,951	$ 58,579	$ 24,372
Short-term investments	70,284	43,644	-	26,640	11,049	15,591
Accounts receivable	3,435,376	2,910,616	-	524,760	496,488	28,272
Inventories	511,064	452,761	-	58,303	55,790	2,513
Due from brokers	142,075	142,075	-	-	-	-
Estimated third-party payor settlements	219,544	212,155	-	7,389	7,389	-
Other	940,170	889,635	-	50,535	50,393	142
Total current assets	6,065,597	5,315,019	-	750,578	679,688	70,890
Long-term investments	22,058,171	21,371,001	526,001	161,169	154,948	6,221
Interest in investments held by Ascension	-	-	(526,001)	526,001	$ 526,001	-
Property and equipment, net	11,424,061	10,392,941	-	1,031,120	1,014,777	16,343
Other assets:						
Right-of-use-assets - leases	1,323,258	1,105,137	-	218,121	217,991	130
Investment in unconsolidated entities	1,309,662	1,228,223	-	81,439	81,439	-
Capitalized software costs, net	500,547	481,808	-	18,739	18,580	159
Other	1,394,484	1,207,191	-	187,293	185,829	1,464
Total other assets	4,527,951	4,022,359	-	505,592	503,839	1,753
Total assets	$ 44,075,780	$ 41,101,320	$ -	$ 2,974,460	$ 2,879,253	$ 95,207

Continued on next page.

Ascension

Details of Consolidated Balance Sheet (continued)
(Dollars in Thousands)

June 30, 2022

	Consolidated Ascension	Consolidated Ascension less Health Ministries Presented	Consolidated Indiana	Consolidated Indiana less Other Entities Presented	St. Vincent Heart Center of Indiana, LLC
Liabilities and net assets					
Current liabilities:					
Current portion of long-term debt	$ 91,618	$ 85,041	$ 6,577	$ 6,577	$ -
Long-term debt subject to short-term remarketing arrangements	774,630	774,630	-	-	-
Current portion of lease obligations	265,528	265,528	-	-	-
Accounts payable and accrued liabilities	3,323,858	3,072,091	251,767	245,342	6,425
Estimated third-party payor settlements	752,532	645,803	106,729	102,509	4,220
Due to brokers	75,789	75,789	-	-	-
Current portion of self-insurance liabilities	307,762	307,762	-	-	-
Current portion of Medicare advanced payments	522,045	434,559	87,486	79,563	7,923
Other	613,416	257,404	356,012	344,736	11,276
Total current liabilities	6,727,178	5,918,607	808,571	778,727	29,844
Noncurrent liabilities:					
Long-term debt (senior and subordinated)	6,409,810	6,003,175	406,635	406,635	-
Lease obligations, less current portion	1,093,735	870,724	223,011	222,881	130
Self-insurance liabilities	824,552	824,552	-	-	-
Pension and other postretirement liabilities	562,609	562,609	-	-	-
Medicare advanced payments	-	-	-	-	-
Other	1,332,350	1,202,154	130,196	130,196	-
Total noncurrent liabilities	10,223,056	9,463,214	759,842	759,712	130
Total liabilities	16,950,234	15,381,821	1,568,413	1,538,439	29,974
Net assets:					
Without donor restrictions:					
Controlling interest	24,067,446	22,830,654	1,236,792	1,191,299	45,493
Noncontrolling interests	2,307,734	2,243,902	63,832	44,092	19,740
Total net assets without donor restrictions	26,375,180	25,074,556	1,300,624	1,235,391	65,233
Net assets with donor restrictions	750,366	644,943	105,423	105,423	-
Total net assets	27,125,546	25,719,499	1,406,047	1,340,814	65,233
Total liabilities and net assets	$ 44,075,780	$ 41,101,320	$ 2,974,460	$ 2,879,253	$ 95,207

Ascension

Details of Consolidated Statement of Operations and Changes in Net Assets
(Dollars in Thousands)

Year Ended June 30, 2022

	Consolidated Ascension	Consolidated Ascension less Health Ministries Presented	Consolidated Indiana	Consolidated Indiana less Other Entities Presented	St. Vincent Heart Center of Indiana, LLC
Operating revenue:					
Net patient service revenue	$ 25,199,425	$ 21,663,328	$ 3,536,097	$ 3,343,301	$ 192,796
Other revenue	2,776,026	2,595,595	180,431	179,460	971
Total operating revenue	27,975,451	24,258,923	3,716,528	3,522,761	193,767
Operating expenses:					
Salaries and wages	12,089,870	10,778,693	1,311,177	1,278,576	32,601
Employee benefits	2,352,877	2,073,116	279,761	272,325	7,436
Purchased services	3,276,175	2,854,411	421,764	415,068	6,696
Professional fees	1,405,126	1,288,364	116,762	97,193	19,569
Supplies	4,141,532	3,614,011	527,521	480,334	47,187
Insurance	354,761	330,556	24,205	24,205	-
Interest	224,241	209,603	14,638	14,434	204
Provider tax	701,999	578,724	123,275	117,182	6,093
Depreciation and amortization	1,332,369	1,204,824	127,545	123,751	3,794
Other	2,895,368	2,407,963	487,405	481,155	6,250
Total operating expenses	28,774,318	25,340,265	3,434,053	3,304,223	129,830
Income (loss) from operations before self-insurance trust fund investment return and nonrecurring gains (losses), net	(798,867)	(1,081,342)	282,475	218,538	63,937
Self-insurance trust fund investment return	(106,374)	(106,374)	-	-	-
Income (loss) from recurring operations	(905,241)	(1,187,716)	282,475	218,538	63,937
Nonrecurring gains (losses), net	26,043	26,043	-	-	-
Income (loss) from operations	(879,198)	(1,161,673)	282,475	218,538	63,937
Nonoperating gains (losses):					
Investment return, net	(1,219,251)	(1,189,439)	(29,812)	(29,964)	152
Other	194,747	200,819	(6,072)	(6,072)	-
Total nonoperating gains (losses), net	(1,024,504)	(988,620)	(35,884)	(36,036)	152
Excess (deficit) of revenues and gains over expenses and losses	(1,903,702)	(2,150,293)	246,591	182,502	64,089
Less noncontrolling interests	(59,956)	(114,195)	54,239	34,845	19,394
Excess (deficit) of revenues and gains over expenses and losses attributable to controlling interest	$ (1,843,746)	$ (2,036,098)	$ 192,352	$ 147,657	$ 44,695

Continued on next page.

Ascension

Details of Consolidated Statement of Operations and Changes in Net Assets (continued)
(Dollars in Thousands)

Year Ended June 30, 2022

	Consolidated Ascension	Consolidated Ascension less Health Ministries Presented	Consolidated Indiana	Consolidated Indiana less Other Entities Presented	St. Vincent Heart Center of Indiana, LLC
Net assets without donor restrictions, controlling interest:					
Excess (deficit) of revenues and gains over expenses and losses	$ (1,843,746)	$ (2,036,098)	$ 192,352	$ 147,657	$ 44,695
Transfer (to) from sponsors and other affiliates, net	(393)	(73,158)	72,765	125,070	(52,305)
Net assets released from restrictions for property acquisitions	42,548	40,987	1,561	1,561	-
Pension and other postretirement liability adjustments	195,161	195,161	-	-	-
Change in unconsolidated entities' net assets	(38,492)	(38,291)	(201)	(201)	-
Other	6,731	953	5,778	5,814	(36)
Increase (decrease) in net assets without donor restrictions, controlling interest	(1,638,191)	(1,910,446)	272,255	279,901	(7,646)
Net assets without donor restrictions, noncontrolling interest:					
Excess (deficit) of revenues and gains over expenses and losses	(59,956)	(114,195)	54,239	34,845	19,394
Net contributions (distributions) of capital	(342,042)	(289,251)	(52,791)	(30,096)	(22,695)
Other	(17,104)	(11,214)	(5,890)	(5,927)	37
Increase (decrease) in net assets without donor restrictions, noncontrolling interests	(419,102)	(414,660)	(4,442)	(1,178)	(3,264)
Net assets with donor restrictions:					
Contributions and grants	112,444	98,863	13,581	13,581	-
Investment return	(15,767)	(11,928)	(3,839)	(3,839)	-
Net assets released from restrictions	(80,460)	(76,086)	(4,374)	(4,374)	-
Divestiture	(92,623)	(92,623)	-	-	-
Other	(16,970)	(17,295)	325	325	-
Increase (decrease) in net assets with donor restrictions	(93,376)	(99,069)	5,693	5,693	-
Increase (decrease) in net assets	(2,150,669)	(2,424,175)	273,506	284,416	(10,910)
Net assets, beginning of year	29,276,215	28,143,674	1,132,541	1,056,398	76,143
Net assets, end of year	$ 27,125,546	$ 25,719,499	$ 1,406,047	$ 1,340,814	$ 65,233