ASCENSION

CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Years Ended June 30, 2021 and 2020
With Reports of Independent Auditors

Ascension

Consolidated Financial Statements
and Supplementary Information

Years Ended June 30, 2021 and 2020

Contents

Ernst & Young LLP
Suite 2600
7676 Forsyth Boulevard
St. Louis, MO 63105

Tel: +1 314 290 1000
ey.com

Report of Independent Auditors

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

We have audited the accompanying consolidated financial statements of Ascension Health Alliance d/b/a Ascension, which comprise the consolidated balance sheets as of June 30, 2021 and 2020, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Ascension Health Alliance d/b/a Ascension at June 30, 2021 and 2020, and the consolidated results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

September 15, 2021

Ascension

Consolidated Balance Sheets
(Dollars in Thousands)

	June 30, 2021	June 30, 2020
Assets		
Current assets:		
Cash and cash equivalents	**$ 670,022**	$ 625,814
Short-term investments	**97,222**	103,264
Accounts receivable	**3,253,061**	2,761,239
Inventories	**534,263**	502,601
Due from brokers *(see Notes 5 and 6)*	**97,225**	108,575
Estimated third-party payor settlements	**208,630**	124,999
Other *(see Notes 5 and 6)*	**1,120,666**	790,693
Total current assets	**5,981,089**	5,017,185
Long-term investments *(see Notes 5 and 6)*	**26,768,323**	21,272,811
Property and equipment, net	**11,066,802**	11,351,194
Other assets:		
Right-of-use assets - leases	**1,313,370**	1,262,380
Investment in unconsolidated entities	**1,363,777**	1,258,472
Capitalized software costs, net	**525,824**	597,005
Other *(see Notes 5 and 6)*	**1,380,054**	1,129,247
Total other assets	**4,583,025**	4,247,104
Total assets	**$48,399,239**	$ 41,888,294

Continued on next page.

Ascension

Consolidated Balance Sheets

(Dollars in Thousands)

	June 30, 2021	June 30, 2020
Liabilities and net assets		
Current liabilities:		
Current portion of long-term debt	**$ 92,406**	$ 96,537
Long-term debt subject to short-term remarketing arrangements*	**627,390**	842,010
Current portion of lease obligations	**245,535**	236,569
Accounts payable and accrued liabilities *(see Notes 5 and 6)*	**3,028,487**	3,139,198
Estimated third-party payor settlements	**756,700**	650,543
Due to brokers *(see Notes 5 and 6)*	**219,503**	59,881
Current portion of self-insurance liabilities	**314,960**	237,548
Current portion of Medicare advanced payments	**1,271,737**	1,994,958
Other	**686,804**	682,316
Total current liabilities	**7,243,522**	7,939,560
Noncurrent liabilities:		
Long-term debt (senior and subordinated)	**6,805,332**	6,773,381
Lease obligations, less current portion	**1,097,255**	1,037,883
Self-insurance liabilities	**760,043**	739,674
Pension and other postretirement liabilities	**965,579**	2,237,185
Medicare advanced payments	**512,380**	-
Other *(see Notes 5 and 6)*	**1,738,913**	1,573,363
Total noncurrent liabilities	**11,879,502**	12,361,486
Total liabilities	**19,123,024**	20,301,046
Net assets:		
Without donor restrictions:		
Controlling interest	**25,705,637**	18,838,776
Noncontrolling interests	**2,726,836**	1,963,884
Total net assets without donor restrictions	**28,432,473**	20,802,660
Net assets with donor restrictions	**843,742**	784,588
Total net assets	**29,276,215**	21,587,248
Total liabilities and net assets	**$ 48,399,239**	$ 41,888,294

*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, 2022. 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 $600 million lines 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, 2021	2020
Operating revenue:		
Net patient service revenue	**$ 24,446,874**	$ 22,778,729
Other revenue	**2,790,557**	2,482,785
Total operating revenue	**27,237,431**	25,261,514
Operating expenses:		
Salaries and wages	**10,872,664**	10,436,710
Employee benefits	**2,362,150**	2,250,752
Purchased services	**2,970,386**	2,935,873
Professional fees	**1,295,422**	1,319,701
Supplies	**4,031,382**	3,662,249
Insurance	**344,804**	323,539
Interest	**225,821**	251,667
Provider tax	**659,632**	637,475
Depreciation and amortization	**1,316,904**	1,261,680
Other	**2,605,868**	2,632,988
Total operating expenses before impairment, restructuring and nonrecurring losses, net	**26,685,033**	25,712,634
Income (loss) from operations before self-insurance trust fund investment return and impairment, restructuring and nonrecurring losses, net	**552,398**	(451,120)
Self-insurance trust fund investment return	**141,101**	(14,150)
Income (loss) from recurring operations	**693,499**	(465,270)
Impairment, restructuring and nonrecurring losses, net	**(17,239)**	(174,126)
Income (loss) from operations	**676,260**	(639,396)
Nonoperating gains (losses):		
Investment return, net	**5,863,823**	(418,209)
Other	**(71,714)**	91,460
Total nonoperating gains (losses), net	**5,792,109**	(326,749)
Excess (deficit) of revenues and gains over expenses and losses	**6,468,369**	(966,145)
Less noncontrolling interests	**794,968**	73,711
Excess (deficit) of revenues and gains over expenses and losses attributable to controlling interest	**5,673,401**	(1,039,856)

Continued on next page.

Ascension

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

	The years ended June 30, 2021	2020
Net assets without donor restrictions, controlling interest:		
Excess (deficit) of revenues and gains over expenses and losses	**$ 5,673,401**	$ (1,039,856)
Transfers to sponsors and other affiliates, net	**(1,989)**	(13,445)
Net assets released from restrictions for property acquisitions	**43,691**	34,026
Pension and other postretirement liability adjustments	**1,121,357**	(917,197)
Change in unconsolidated entities' net assets	**40,334**	(904)
Membership interest changes, net	**-**	(687)
Other	**(9,933)**	92
Increase (decrease) in net assets without donor restrictions, controlling interest	**6,866,861**	(1,937,971)
Net assets without donor restrictions, noncontrolling interest:		
Excess of revenues and gains over expenses and losses	**794,968**	73,711
Net distributions of capital	**(32,016)**	(96,749)
Membership interest changes, net	**-**	(1,199)
Increase (decrease) in net assets without donor restrictions, noncontrolling interests	**762,952**	(24,237)
Net assets with donor restrictions:		
Contributions and grants	**92,878**	105,674
Investment return	**95,718**	5,680
Net assets released from restrictions	**(81,846)**	(78,538)
Other	**(47,596)**	(7,644)
Increase in net assets with donor restrictions	**59,154**	25,172
Increase (decrease) in net assets	**7,688,967**	(1,937,036)
Net assets, beginning of year	**21,587,248**	23,524,284
Net assets, end of year	**$ 29,276,215**	$ 21,587,248

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,	
	2021	**2020**
Operating activities		
Increase (decrease) in net assets	**$ 7,688,967**	$ (1,937,036)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	**1,316,904**	1,261,680
Amortization of bond premiums, discounts, and debt issuance cost	**(40,882)**	(27,143)
Loss on extinguishment of debt	**19,636**	2,853
Pension and other postretirement liability adjustments	**(1,121,357)**	917,197
Unrealized (gains) losses on unrestricted investments, net	**(3,384,470)**	885,828
Change in fair value of interest rate swaps	**(44,945)**	34,692
Change in equity of unconsolidated entities	**(252,096)**	(166,980)
Gain on sale of assets, net	**(63,236)**	(551)
Impairment and nonrecurring expenses	**15,922**	66,256
Transfers to sponsor and other affiliates, net	**1,989**	13,445
Donor restricted contributions, investment return and other	**(103,806)**	(62,009)
Distributions of noncontrolling interest, net	**32,016**	96,749
Other	**67,322**	26,125
(Increase) decrease in:		
Short-term investments	**6,042**	(11,192)
Accounts receivable	**(565,575)**	422,705
Inventories and other current assets	**(161,544)**	(100,798)
Due from brokers	**11,350**	216,402
Investments classified as trading	**(2,188,027)**	(2,429,452)
Other assets	**(142,936)**	11,771
Increase (decrease) in:		
Accounts payable and accrued liabilities	**113,906**	24,360
Estimated third-party payor settlements, net	**23,826**	96,741
Due to brokers	**159,622**	(309,332)
Medicare advanced payments	**(199,136)**	1,994,958
Other current liabilities	**(52,988)**	240,123
Self-insurance liabilities	**97,781**	31,801
Other noncurrent liabilities	**42,127**	(47,222)
Net cash provided by operating activities	**1,276,412**	1,251,971

Continued on next page.

Ascension

Consolidated Statements of Cash Flows

(Dollars in Thousands)

	The years ended June 30,	
	2021	**2020**
Investing activities		
Property, equipment, and capitalized software additions, net	**$ (1,461,689)**	$ (1,764,833)
Proceeds from sale of property and equipment	**48,081**	12,167
Distributions from unconsolidated entities, net	**107,650**	95,253
Net proceeds from sale/acquisition of other assets	**153,235**	236,250
Net cash used in investing activities	**(1,152,723)**	(1,421,163)
Financing activities		
Issuance of debt	**456,225**	1,966,408
Repayment of debt, including financing lease obligations	**(598,433)**	(2,076,335)
(Increase) decrease in assets under bond indenture agreements	**(85)**	(53)
Transfers to sponsors and other affiliates, net	**(1,989)**	(13,445)
Donor restricted contributions, investment return, and other	**103,806**	62,009
Distributions of noncontrolling interest, net	**(32,016)**	(96,749)
Net cash used in financing activities	**(72,492)**	(158,165)
Net increase (decrease) in cash, cash equivalents, and restricted cash	**51,197**	(327,357)
Cash, cash equivalents, and restricted cash at beginning of year	**676,716**	1,004,073
Cash, cash equivalents, and restricted cash at end of year	**$ 727,913**	$ 676,716
Cash and cash equivalents	**$ 670,022**	$ 625,814
Restricted cash, included in long-term investments	**57,891**	50,902
Cash, cash equivalents, and restricted cash at end of year	**$ 727,913**	$ 676,716

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
- AscensionConnect
- Ascension Global Mission
- Ascension Holdings
- Ascension Leadership Academy
- Ascension Ministry Service Center
- Ascension Technologies
- Ascension Capital
    - Ascension Investment Management (AIM)
    - AV Holding Company
    - Ascension Ventures (AV)
- 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 discussed in the Pooled Investment Fund note. Ascension and its member organizations are hereafter referred to collectively as the System.

Sponsorship

Ascension is sponsored by Ascension Sponsor, a Public Juridic Person. The Participating Entities of Ascension Sponsor are 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 of persons living in poverty and other community benefit programs. The cost of providing care to 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 $493,781 and $664,944 for the years ended June 30, 2021 and 2020, 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 corporations and other entities for which operating control is exercised by the System or one of its member corporations, and all significant inter-entity transactions have been eliminated in consolidation. Investments in entities where the System does not have operating control are recorded under the equity or cost method of accounting and results of operations are primarily 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

Investments, excluding investments in unconsolidated entities, are measured at fair value, are classified as trading securities, and include pooled short-term investment funds; U.S. government, state, municipal and agency obligations; corporate and foreign fixed income securities; asset-backed securities; and equity securities. Investments also include alternative investments and other investments which are valued based on the net asset value of the investments, as further discussed in the Fair Value Measurements note. As discussed in the Pooled Investment Fund note, the Alpha Fund also holds derivative investments, which are measured at fair value.

Long-term investments include assets limited as to use of $1,560,296 and $1,376,582 at June 30, 2021 and 2020, respectively, comprised primarily of investments placed in trust and held by captive insurance companies for the payment of self-insured claims. Long-term investments also include donor restricted cash and cash equivalents.

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, are reported as nonoperating gains (losses) in the Consolidated Statements of Operations and Changes in Net Assets, unless the return is restricted by donor or law. 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, 2021 and 2020 was approximately $1,095,000 and $1,037,000, respectively.

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

A summary of property and equipment is as follows:

	June 30, 2021	June 30, 2020
Land and improvements	**$ 1,372,957**	$ 1,345,273
Buildings and equipment	**21,327,952**	20,343,912
	22,700,909	21,689,185
Less accumulated depreciation	**12,138,572**	11,512,931
	10,562,337	10,176,254
Construction in progress	**504,465**	1,174,940
Total property and equipment, net	**$ 11,066,802**	$ 11,351,194

Several capital projects have remaining construction and related equipment purchase commitments of approximately $577,000 as of June 30, 2021.

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.

Capitalized software costs in the following table include software in progress of $103,977 and $101,763 at June 30, 2021 and 2020, respectively:

	June 30, 2021	June 30, 2020
Capitalized software costs	**$ 2,473,145**	$ 2,531,331
Less accumulated amortization	**1,947,321**	1,934,326
Capitalized software costs, net	**525,824**	597,005
Goodwill	**356,726**	265,853
Other, net	**37,308**	39,871
Intangible assets included in other assets	**394,034**	305,724
Total intangible assets, net	**$ 919,858**	$ 902,729

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

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 over their expected useful lives. Amortization expense for these intangible assets for the years ended June 30, 2021 and 2020 was approximately $222,000 and $225,000, respectively.

Estimated future amortization of intangible assets with definite lives, excluding software in progress, as of June 30, 2021 is as follows:

The years ending June 30:	
2022	$ 186,739
2023	116,291
2024	59,855
2025	43,417
2026	17,764
Thereafter	24,936
Total	**$ 449,002**

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 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. Net assets with donor restrictions consist solely of controlling interests of the System.

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 considered to be operating activities. Other activities that result in gains or losses peripheral to the System's primary mission are considered to be 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 continually 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 $134,646 and $106,355 for the years ended June 30, 2021 and 2020, 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, 2021 and 2020, is as follows:

	The years ended June 30, 2021	The years ended June 30, 2020
Inpatient care	**$ 11,696,872**	$ 10,954,561
Ambulatory care	**9,494,150**	8,716,511
Physician practices	**2,832,188**	2,596,214
Long-term care	**423,664**	511,443
Total net patient service revenue	**$ 24,446,874**	$ 22,778,729

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	
	2021	2020	June 30, 2021	June 30, 2020
Medicare - traditional and managed	**36.7 %**	37.1 %	**30.3 %**	30.5 %
Medicaid - traditional and managed	**13.0**	13.1	**9.8**	10.6
Other commercial and managed care	**42.7**	43.1	**46.0**	42.2
Self-Pay and other	**7.6**	6.7	**13.9**	16.7
	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.

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. Accounts are written off when all reasonable internal and external collection efforts have been performed. 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.

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

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. Components of other operating revenue are included in the following table for the years ended June 30, 2021 and 2020:

	The years ended June 30,	
	2021	**2020**
Cafeteria and vending	**$ 58,099**	$ 73,812
Provider Relief Funds (*see Note 3*)	**912,912**	883,216
Contracted services	**206,825**	219,764
Donations and grants	**80,518**	114,590
Gains on asset sales	**87,714**	8,808
Insurance plans	**77,343**	77,040
Joint venture income	**218,943**	168,127
Lab services	**89,852**	76,048
Lease and rental income	**84,940**	88,581
Retail pharmacy	**456,228**	403,305
Supplemental care programs	**288,063**	203,274
Other	**229,120**	166,220
Total other revenue	**$ 2,790,557**	$ 2,482,785

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)

Impairment, Restructuring, and Nonrecurring Losses

Long-lived assets 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 these long-lived assets is reduced to fair value based on future discounted net cash flows or other estimates of fair value.

Impairment, restructuring, and nonrecurring losses consist primarily of one-time termination benefits and other restructuring and nonrecurring expenses.

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.

Capitalized software, including internally developed software, is amortized on a straight-line basis over the expected useful life of the software.

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, 2021.

The System had deferred tax assets of approximately $496,000 and $426,000 for federal and state income tax purposes primarily related to net operating loss carryforwards for the years ended June 30, 2021 and 2020, respectively. Net operating losses incurred prior to July 1, 2018 have expiration dates through 2038, while net operating losses incurred during the current fiscal year and in any future periods can be carried forward indefinitely, under the Tax Cuts and Jobs Act of 2017. A valuation allowance of approximately $494,000 and $424,000 was recorded due to the uncertainty regarding use of the deferred tax assets for the years ended June 30, 2021 and 2020, respectively.

2. Significant Accounting Policies (continued)

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.

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, and the outcome of any current investigations will not have a material effect on the Consolidated Financial Statements of the System.

Reclassifications

Certain reclassifications were made to the June 30, 2020 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 year ended June 30, 2021, the System evaluated subsequent events through September 15, 2021, representing the date on which the Consolidated Financial Statements were issued.

During this period, there were no subsequent events requiring recognition in the Consolidated Financial Statements and no unrecognized subsequent events requiring disclosure.

3. COVID-19 Pandemic and CARES Act Funding

On March 11, 2020, the World Health Organization designated the COVID-19 outbreak as a global pandemic. In response to COVID-19, the Coronavirus Aid, Relief, and Economic Security (CARES) Act, was signed into law on March 27, 2020. The CARES Act authorizes funding to hospitals and other healthcare providers to be distributed through the Public Health and Social Services Emergency Fund (Provider Relief Fund).

3. COVID-19 Pandemic and CARES Act Funding (continued)

Payments from the Provider Relief Fund are to be used to prevent, prepare for, and respond to coronavirus, and shall 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.

For the years ended June 30, 2021 and 2020, the System recognized revenue associated with Provider Relief Fund payments of $912,912 and $883,216, 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 Provider Relief Fund. 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.

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. The Program allowed eligible health care facilities to request up to six months of advance Medicare payments for acute care hospitals or up to three months of advance Medicare payments for other health care providers. The System received approximately $2,000,000 of advanced payments in April 2020. In April 2021, recoupments of advanced payments began in accordance with the terms and conditions of the Program.

4. Organizational Changes

Divestitures

During the years ended June 30, 2021 and 2020, 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 January 2021, Ministry Health Care, Inc. (Ministry), a wholly owned subsidiary of Ascension, and Aspirus, Inc. (Aspirus) entered into an agreement whereby Ministry will transition 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. Assets and liabilities held for sale at June 30, 2021 are $355,312 and $30,930, respectively, and are included in other current assets and other current liabilities in the Consolidated Balance Sheet. This transition closed on August 1, 2021.

4. Organizational Changes (continued)

Effective August 1, 2020, Ascension completed the sale of certain assets and liabilities and substantially all related operations of Ascension St. Clare's Hospital, Inc. (St. Clare's), an Ascension Wisconsin subsidiary, as well as interests in two related joint ventures to MCHS Hospitals, Inc. (MCHS), a subsidiary of Marshfield Clinic, Inc. Assets and liabilities held for sale at June 30, 2020 were $91,057 and $2,023, respectively, and were included in other current assets and other current liabilities in the Consolidated Balance Sheet.

Effective October 1, 2019, Ascension completed the sale of certain assets and liabilities and substantially all related operations of St. Vincent's Medical Center, an Ascension subsidiary located in Bridgeport, Connecticut, to Hartford HealthCare Corporation.

Membership Donation

Effective September 1, 2020, Ascension completed the separation of St. Mary's Healthcare (St. Mary's), 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.

5. Pooled Investment Fund

At June 30, 2021 and 2020, respectively, a significant portion of the System's investments consists of its interest in the Alpha Fund. Certain System investments, including some held by the Ministry Markets and their consolidated foundations, are managed outside of the Alpha Fund.

The Alpha Fund includes the investment interests of the System and other Alpha Fund members. 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 members. AIM provides expertise in the areas of asset allocation, selection and monitoring of outside investment managers, and risk management. The Alpha Fund is consolidated in the System's Consolidated Financial Statements.

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 investment in accordance with the terms of the agreement.

5. Pooled Investment Fund (continued)

Commitments not funded during the investment period will expire and remain unfunded. As of June 30, 2021, contractual agreements expire between July 2021 and May 2027.

The remaining unfunded capital commitments total approximately $1,810,000 for 250 individual funds as of June 30, 2021. 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. Derivatives in which the Alpha Fund may invest include options, futures contracts, swaps, forward settling mortgage-backed securities, and index-based instruments. Advisers selected by AIM to manage the Alpha Fund's assets may actively trade futures contracts, options, and foreign currency forward contracts.

AIM may direct these advisers 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.

See the Fair Value Measurements note for a discussion of how fair value for the Alpha Fund's derivatives is determined. At June 30, 2021 and 2020, the gross notional value of Alpha Fund derivatives outstanding was approximately $11,879,000 and $9,948,000, respectively.

The fair value of Alpha Fund derivatives in an asset position was $167,757 and $45,395 at June 30, 2021 and 2020, respectively, while the fair value of Alpha Fund derivatives in a liability position was $40,360 and $97,298 at June 30, 2021 and 2020, respectively. These derivatives are included in long-term investments in the Consolidated Balance Sheets.

During the year ended June 30, 2020, the Alpha Fund participated in a securities lending program, whereby a portion of the Alpha Fund's investments were loaned to selected established brokerage firms in return for securities from the brokers as collateral for the investments loaned, usually on a short-term basis. Participation in the securities lending program ceased during the year ended June 30, 2020, and no loans were outstanding as of June 30, 2021 or 2020.

(Dollars in Thousands)

5. Pooled Investment Fund (continued)

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, and cash held by brokers for securities sold, not yet purchased.

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 both the System's membership interest in the Alpha Fund and the noncontrolling interests held by other Alpha Fund members. System unrestricted cash and investments, net, represent the System's cash and investments excluding the noncontrolling interests held by other Alpha Fund members and assets limited as to use.

	June 30, 2021	June 30, 2020
Cash and cash equivalents	$ 670,022	$ 625,814
Short-term investments	97,222	103,264
Long-term investments	26,768,323	21,272,811
Subtotal	27,535,567	22,001,889
Other Alpha Fund assets and liabilities:		
In other current assets	32,969	38,600
In accounts payable and other accrued liabilities	(11,071)	(10,413)
In other noncurrent liabilities	(643)	(525)
Due (to) from brokers, net	(122,278)	48,694
Total cash and investments, net	27,434,544	22,078,245
Less noncontrolling interests of Alpha Fund	2,155,382	1,707,465
System cash and investments, including assets limited as to use	25,279,162	20,370,780
Less assets limited as to use:		
Under bond indenture agreement	1,177	1,092
Self-insurance trust funds	844,013	632,222
With donor restrictions	715,106	743,268
Total assets limited as to use	1,560,296	1,376,582
System unrestricted cash and investments, net	$ 23,718,866	$ 18,994,198

(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, 2021	June 30, 2020
Cash and cash equivalents and short-term investments	$ **837,416**	$ 914,967
Pooled short-term investment funds	**1,502,891**	835,156
U.S. government, state, municipal and agency obligations	**4,056,443**	3,944,488
Corporate and foreign fixed income securities	**2,798,810**	2,038,195
Asset-backed securities	**2,814,692**	2,701,379
Equity securities	**8,507,145**	5,436,613
Alternative investments and other investments:		
Private equity and real estate funds	**4,193,658**	3,423,494
Private credit and energy funds	**1,450,386**	1,274,227
Hedge funds	**989,114**	1,356,772
Other investments	**385,012**	76,598
Total alternative investments and other investments	**7,018,170**	6,131,091
Total cash and cash equivalents, short-term investments, and long-term investments	$ **27,535,567**	$ 22,001,889

Investment return recognized by the System for the years ended June 30, 2021 and 2020, is summarized in the following table. Total investment return includes the System's return on certain investments held and managed outside the Alpha Fund and the investment return of the Alpha Fund. System investment return represents the System's total investment return, net of the investment return earned by the noncontrolling interests of other Alpha Fund members.

	The years ended June 30, 2021	2020
Interest and dividends	$ **377,061**	$ 411,105
Net gains (losses) on investments reported at fair value	**5,627,863**	(843,463)
Restricted investment return and unrealized gains (losses), net	**95,718**	5,680
Total investment return	**6,100,642**	(426,678)
Less return earned by noncontrolling interests of Alpha Fund	**466,196**	(15,592)
System investment return	$ **5,634,446**	$ (411,086)

Investment return is reduced by external and direct internal investment expenses.

(Dollars in Thousands)

7. Financial Assets and Liquidity Resources

As of June 30 2021, and 2020, 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:

	June 30, 2021	June 30, 2020
Financial assets:		
Cash and cash equivalents	**$ 670,022**	$ 625,814
Short-term investments	**97,222**	103,264
Accounts receivable	**3,253,061**	2,761,239
Due from brokers	**97,225**	108,575
Other current assets	**1,120,666**	790,693
Long-term investments	**26,768,323**	21,272,811
Total financial assets	**32,006,519**	25,662,396
Less:		
Assets limited as to use and other restricted funds	**(1,653,166)**	(1,476,023)
Noncontrolling interests of Alpha Fund	**(2,155,382)**	(1,707,465)
Investments with liquidity more than one year	**(4,897,829)**	(4,044,787)
Total financial assets available within one year	**23,300,142**	18,434,121
Liquidity resources:		
Unused lines of credit	**600,000**	1,000,000
Total financial assets and liquidity resources available within one year	**$ 23,900,142**	$ 19,434,121

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

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.

8. Fair Value Measurements (continued)

As of June 30, 2021, and 2020, 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.

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.

8. Fair Value Measurements (continued)

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 determined by an external fund manager 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.

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 derivative assets and derivative liabilities of the Alpha Fund, whose fair value is 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.

8. Fair Value Measurements (continued)

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, 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	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)

8. Fair Value Measurements (continued)

The following table summarizes fair value measurements, by level, at June 30, 2020, 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, 2020				
Cash equivalents	$ 34,959	$ 440	$ -	$ 35,399
Short-term investments	65,862	125,331	-	191,193
Pooled short-term investment funds	835,156	-	-	835,156
U.S. government, state, municipal and agency obligations	-	3,944,488	-	3,944,488
Corporate and foreign fixed income securities	-	2,030,706	7,489	2,038,195
Asset-backed securities	-	1,966,868	734,511	2,701,379
Equity securities	4,322,277	54,056	20,921	4,397,254
Alternative investments and other investments:				
Private equity and real estate funds	3,474	2,500	351,731	357,705
Other investments	29,076	(57,778)	3,817	(24,885)
Assets at net asset value:				
Equity securities				1,039,359
Private equity and real estate funds				3,065,326
Private credit and energy funds				1,274,227
Hedge funds				1,356,772
Other investments				6,177
Cash and other investments not at fair value				784,144
Cash and investments				$ 22,001,889
Benefit plan assets, in other noncurrent assets	$ 495,956	$ 15,901	$ 59,435	$ 571,292
Interest rate swaps, in other noncurrent assets	-	2,785	-	2,785
Investments sold, not yet purchased, in other noncurrent liabilities	28	496	-	524
Interest rate swaps, included in other noncurrent liabilities	-	171,787	-	171,787

(Dollars in Thousands)

8. Fair Value Measurements (continued)

For the year ended June 30, 2020, 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, 2020						
Beginning balance	$ 3,655	$ 203,694	$ 8,386	$ 333,434	$ 1,247	$ 50,078
Realized and unrealized gains (losses):						
Included in nonoperating gains (losses)	(7,416)	(91,434)	5,817	51,497	(179)	-
Included in changes in net assets	-	-	-	6	(273)	-
Purchases	14,192	381,948	12,826	66,562	3,082	6,000
Issuances	-	-	-	185	-	-
Sales	(2,951)	(140,969)	(5,797)	(25,653)	(60)	(7,926)
Transfers into Level 3	9	385,548	21	-	-	13,533
Transfers out of Level 3	-	(4,276)	(332)	(74,300)	-	(2,250)
Ending balance	$ 7,489	$ 734,511	$ 20,921	$ 351,731	$ 3,817	$ 59,435
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, 2020	$ (1,798)	$ (65,062)	$ 1,217	$ -	$ (1,612)	$ -

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, 2021 and 2020 is comprised of the following and is presented in accordance with the specific master trust indenture to which the debt relates.

	June 30, 2021	June 30, 2020
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 (0.02% to 0.04% at June 30, 2021) set at prevailing market rates	**$ 490,085**	$ 500,090
Fixed rate serial, term, and mode bonds fixed to maturity payable in installments through November 2047; interest at 3.00% to 5.00%	**2,941,765**	3,141,475
Fixed rate serial mode bonds payable through 2047 with purchase dates ranging from November 2021 through December 2024; interest at 1.55% to 5.00% through the purchase dates	**592,260**	889,180
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 (0.03% at June 30, 2021) set at prevailing market rates	**22,215**	26,635
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%	**115,740**	129,475
Fixed rate serial mode bonds payable through 2027 with purchase dates as of August 2020; interest at 1.35%	**-**	48,010
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**	1,010,600
Total hospital revenue bonds under Senior Master Trust Indenture and Subordinate Master Trust Indenture	**7,204,665**	7,340,465
Tax-exempt hospital revenue bonds – secured under Mercy Regional Health Center, Inc. Master Trust Indenture:		
Fixed rate serial and term bonds payable in installments through November 2029; interest at 5.00%	**-**	17,100
Total hospital revenue bonds – all Master Trust Indentures	**$ 7,204,665**	$ 7,357,565

(Dollars in Thousands)

9. Long-Term Debt (continued)

	June 30, 2021	June 30, 2020
Total hospital revenue bonds – all Master Trust Indentures	**$ 7,204,665**	$ 7,357,565
Other	**36,992**	36,535
	7,241,657	7,394,100
Unamortized premium, net	**319,350**	354,807
Less debt issuance cost, net	**(35,879)**	(36,979)
Less current portion	**(92,406)**	(96,537)
Less long-term debt subject to short-term remarketing arrangements	**(627,390)**	(842,010)
Long-term debt, less current portion and long-term debt subject to short-term remarketing arrangements	**$ 6,805,332**	$ 6,773,381

	June 30, 2021	June 30, 2020
Ascension Health Alliance Senior Master Trust Indenture long-term debt obligations, including unamortized premium and cost of issuance, net	**$ 6,669,541**	$ 6,595,160
Ascension Health Alliance Subordinate Master Trust Indenture long-term debt obligations, including unamortized premium and cost of issuance, net	**104,480**	126,442
Mercy Regional Health Center, Inc. Master Trust Indenture long-term debt obligations, including unamortized premium, net	**-**	16,581
Other	**31,311**	35,198
Long-term debt, less current portion, and long-term debt subject to short-term remarketing arrangements	**$ 6,805,332**	$ 6,773,381

(Dollars in Thousands)

9. Long-Term Debt (continued)

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, 2021, are as follows:

	Ascension Health Alliance MTIs	Other Debt	Total
The years ending June 30:			
2022	$ 86,725	$ 5,681	$ 92,406
2023	92,655	5,846	98,501
2024	97,860	7,837	105,697
2025	104,415	4,884	109,299
2026	110,140	1,639	111,779
Thereafter	6,712,870	11,105	6,723,975
Total	**$ 7,204,665**	**$ 36,992**	**$ 7,241,657**

The fair values of these fixed rate bonds were $7,778,076 and $7,858,587 at June 30, 2021 and 2020, 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, 2021 and 2020, interest paid was approximately $274,000 and $288,000, respectively. Capitalized interest was approximately $4,600 and $5,200 for the years ended June 30, 2021 and 2020, respectively.

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 and may be entities not controlled directly or indirectly by the System.

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.

9. Long-Term Debt (continued)

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.

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, 2021, 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

9. Long-Term Debt (continued)

between April 2021 and April 2022, subject to market conditions, and refund the Wisconsin 2013A and Kansas 2013 bonds in April 2021.

In April 2020, The Senior Credit Group issued $300,000 of taxable bonds, as a reopening of the October 2019 taxable issuance. The debt was issued primarily to provide funding for the redemption of five series of bonds secured under the Senior and Subordinate Master Trust Indentures, upon their respective mandatory tender dates ranging from May through November 2020. As of June 30, 2020, $183,410 of the mandatory tender bonds had been retired, and all of the bonds have been retired as of June 30, 2021.

Due to aggregate financing activity during the fiscal years ended June 30, 2021 and 2020, losses on extinguishment of debt of $19,636 and $2,853, respectively, were recorded, which are included in nonoperating gains (losses) in the Consolidated Statements of Operations and Changes in Net Assets.

As of June 30, 2021, the Senior Credit Group had two lines of credit totaling $600,000. The first line of credit totals $100,000, which may be used as a source of funding for unremarketed variable debt (including commercial paper) or for general corporate purposes. The second line of credit totals $500,000, which may be used for general corporate purposes.

Both lines are committed to December 1, 2021 and as of June 30, 2021 and 2010, there were no outstanding borrowings under either line of credit.

As of June 30, 2021, the Senior Credit Group had a $100,000 revolving line of credit related to its letters of credit program toward which a bank commitment of $100,000 extends to November 11, 2021. 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 $100,000 revolving line of credit, letters of credit totaling $82,954 have been issued as of June 30, 2021. No borrowings were outstanding under the letters of credit as of June 30, 2021 and 2020.

10. Derivative Instruments

The System uses interest rate swap agreements to manage interest rate risk associated with its outstanding debt. Interest rate swaps with varying characteristics are outstanding under the Master Trust Indenture of the System. 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, 2021 and 2020, the notional values of outstanding interest rate swaps were $894,445 and $953,750, respectively.

10. Derivative Instruments (continued)

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 fair value of interest rate swaps in an asset position was $2,497 and $2,785 at June 30, 2021 and 2020, respectively. The fair value of interest rate swaps in a liability position was $126,554 and $171,787 at June 30, 2021 and 2020, 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, 2021 and 2020.

The System does not account for any of 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. The System does not offset fair value amounts recognized for derivative instruments.

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. Many leases include rental escalation clauses or renewal options which are factored into the determination of lease payments when appropriate. As most of the System's operating leases do not provide an implicit rate, the System uses its incremental borrowing rate based upon information available at the lease commencement date in determining the present value of lease payments. 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, 2021	2020
Operating lease cost	**$ 328,383**	$ 341,550
Finance lease cost:		
Interest on lease liabilities	**2,975**	1,786
Amortization of right-of-use-asset	**3,399**	3,178
Variable lease cost	**65,918**	78,671
Total lease cost	**$ 400,675**	$ 425,185

The weighted average remaining lease terms and the weighted average discount rates at June 30, 2021 and 2020 were as follows:

	June 30, 2021		June 30, 2020	
	Operating Leases	Finance Leases	Operating Leases	Finance Leases
Weighted-average remaining lease term	8.5 years	28.5 years	8.2 years	29.5 years
Weighted-average discount rate	2.5%	3.3%	2.6%	3.3%

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

	The years ended June 30, 2021	2020
Operating leases	**$ 337,415**	$ 335,604
Finance leases	**5,160**	3,378
Total cash paid	**$ 342,575**	$ 338,982

(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, 2021, to lease obligations recorded on the Consolidated Balance Sheets at June 30, 2021.

The years ending June 30:	Operating Leases	Finance Leases	Total
2022	$ 272,930	$ 3,976	$ 276,906
2023	238,141	3,921	242,062
2024	194,572	3,990	198,562
2025	146,526	4,059	150,585
2026	119,354	4,131	123,485
Thereafter	459,269	115,353	574,622
Total future undiscounted lease obligations	1,430,792	135,430	1,566,222
Less: amount of lease payments representing interest	(171,596)	(51,836)	(223,432)
Present value of future lease obligations	1,259,196	83,594	1,342,790
Less: current portion of lease obligations	(244,529)	(1,006)	(245,535)
Long-term lease obligations	$ 1,014,667	$ 82,588	$ 1,097,255

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, 2021, are as follows:

For the years ending June 30:	Operating Leases
2022	$ 62,073
2023	48,445
2024	37,304
2025	28,810
2026	20,339
Thereafter	340,408
Total	$ 537,379

For the years ended June 30, 2021 and 2020, lease income was approximately $77,000 and $84,000, respectively.

12. Retirement Plans

Certain System entities participate in defined-benefit pension plans (the System Plans), which are noncontributory, defined-benefit pension 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).

The System Plans' assets primarily consist of short-term investments, equity, fixed income, and alternative investments, consisting of various hedge funds, real estate funds, private equity funds, private credit funds, and certain other private funds.

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.

(Dollars in Thousands)

12. Retirement Plans (continued)

The following table sets forth the combined benefit obligations and assets of the System Plans at June 30, 2021 and 2020, 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,	
	2021	**2020**
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	**$ 10,419,353**	$ 10,011,648
Service Cost	**-**	173
Interest Cost	**301,822**	339,693
Amendments	**(829)**	-
Assumption change	**11,850**	526,658
Actuarial loss	**150,629**	123,866
Curtailment	**-**	(527)
Benefits paid	**(581,892)**	(582,158)
Projected benefit obligation at end of year	**10,300,933**	10,419,353
Change in plan assets:		
Fair value of plan assets at beginning of year	**8,249,692**	8,503,103
Actual return on plan assets	**1,777,407**	327,966
Employer contributions	**7,781**	781
Benefits paid	**(581,892)**	(582,158)
Fair value of plan assets at end of year	**9,452,988**	8,249,692
Net amount recognized at end of year and funded status	**$ (847,945)**	$ (2,169,661)
Accumulated benefit obligation at end of year	**10,300,933**	10,419,353

The System Plans' funded status as a percentage of both the projected and accumulated benefit obligations were 91.8% and 79.2% at June 30, 2021 and 2020, respectively.

(Dollars in Thousands)

12. Retirement Plans (continued)

Included in net assets without donor restrictions at June 30, 2021 and 2020, are the following amounts that have not yet been recognized in net periodic pension cost for the System Plans:

	The years ended June 30, 2021	2020
Unrecognized prior service (credit) cost	**$ (452)**	$ 633
Unrecognized actuarial loss	**2,292,129**	3,413,728
	$ 2,291,677	$ 3,414,361

Changes in plan assets and benefit obligations recognized in net assets without donor restrictions for System Plans during the years ended June 30, 2021 and 2020 include:

	The years ended June 30, 2021	2020
Current year actuarial (gain) loss	**$ (954,461)**	$ 1,026,604
Amortization of actuarial loss	**(167,138)**	(119,675)
Current year prior service (credit) cost	**(829)**	-
Amortization of prior service (cost) credit	**(256)**	625
	$ (1,122,684)	$ 907,554

The following table provides the components of net periodic benefit costs 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, 2021	2020
Components of net periodic benefit cost		
Service cost	**$ -**	$ 173
Interest cost	**301,822**	339,693
Expected return on plan assets	**(660,468)**	(704,576)
Amortization of prior service cost (credit)	**256**	(625)
Amortization of actuarial loss	**163,622**	110,818
Settlement loss	**3,516**	8,857
Net periodic benefit gain	**$ (191,252)**	$ (245,660)

(Dollars in Thousands)

12. Retirement Plans (continued)

The prior service cost and actuarial loss included in net assets without donor restrictions that are expected to be recognized in net periodic pension cost during the year ending June 30, 2022, are $292 and $155,575, respectively.

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,	
	2021	**2020**
To determine benefit obligations:		
Discount rate	**3.00%**	3.03%
To determine net periodic benefit cost:		
Discount rate	**3.03%**	3.55%
Expected return on plan assets	**8.00%**	8.30%

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.

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.

(Dollars in Thousands)

12. Retirement Plans (continued)

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, real asset funds, private equity funds, private credit funds, and certain other private 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. Management elected to use the NAV per share, or equivalent, for fair value. Collectively, these funds have liquidity terms ranging from daily to annual with notice periods ranging from 1 to 180 days. Due to redemption restrictions, investments of certain private funds, whose fair value was approximately $1,429,000 at June 30, 2021, cannot currently be redeemed. However, the potential for the System Plans to sell their interest in private equity 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, 2021, investment periods expire between July 2021 and May 2027. The remaining unfunded capital commitments of the Trust total approximately $728,000 for 161 individual contracts as of June 30, 2021.

The weighted-average asset allocation for the System Plans in the Trust at the end of fiscal 2021 and 2020 and the target allocation for fiscal 2022, by asset category, are as follows:

Asset Category:	Target Allocation 2022	Percentage of Plan Assets as of June 30, 2021	2020
Growth	56%	59%	53%
Deflation	30%	28%	36%
Inflation	14%	13%	11%
	100%	100%	100%

(Dollars in Thousands)

12. Retirement Plans (continued)

The following tables summarize fair value measurements at June 30, 2021 and 2020, 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, 2021				
Short-term investments	$ 695,481	$ 55,984	$ -	$ 751,465
Derivatives receivable	2,775	308,435	-	311,210
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
Commodities	227,836	-	-	227,836
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 receivables				224,483
Total				9,931,896
Derivatives payable	1,500	295,037	-	296,537
Other payables				182,371
Total				478,908
Fair value of plan assets				$ 9,452,988

(Dollars in Thousands)

12. Retirement Plans (continued)

	Level 1	Level 2	Level 3	Total
June 30, 2020				
Short-term investments	$ 1,142,692	$ -	$ -	$ 1,142,692
Derivatives receivable	472	515,660	-	516,132
U.S. government, state, municipal and agency obligations	-	1,310,661	-	1,310,661
Corporate and foreign fixed income securities	-	564,483	3,916	568,399
Asset-backed securities	-	1,262,240	12,122	1,274,362
Equity securities	1,812,980	860	3,385	1,817,225
Assets at net asset value:				
Corporate and foreign government fixed maturities				17,885
Equity securities				158,361
Private equity and real estate funds				1,448,733
Hedge funds				606,159
Other investments				121
Other receivables				132,583
Total				8,993,313
Derivatives payable	-	407,459	-	407,459
Liabilities not at fair value				336,162
Total				743,621
Fair value of plan assets				$ 8,249,692

(Dollars in Thousands)

12. Retirement Plans (continued)

For the years ended June 30, 2021 and 2020, the changes in the fair value of the System Plans' assets measured using significant unobservable inputs (Level 3) consisted of the following:

	Net Derivatives	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)

	Net Derivatives	Corporate and Foreign Fixed Income Securities	Asset-Backed Securities	Equity Securities
June 30, 2020				
Beginning balance	$ 949	$ 1,057	$ 18,134	$ 14
Total actual return on assets	(5,636)	(1,181)	(1,917)	(754)
Purchases, issuances, and settlements	4,687	3,824	(1,930)	4,061
Transfers (out of) into Level 3	-	216	(2,165)	64
Ending balance	$ -	$ 3,916	$ 12,122	$ 3,385
Actual return on plan assets relating to plan assets still held at June 30, 2020	$ -	$ (44)	$ (2,467)	$ (572)

(Dollars in Thousands)

12. Retirement Plans (continued)

The Trust has entered into a series of swap agreements with a net notional amount of approximately $1,770,500. The combined targeted duration of these swaps and the Trust's fixed income investments approximates the duration of the liabilities of the Trust. Currently, 50% 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 2022	$	3,725
Expected benefit payments:		
2022		941,210
2023		681,700
2024		689,360
2025		680,500
2026		672,600
2027-2031		3,085,800

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. Benefits for 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 $443,356 and $416,612 for the years ended June 30, 2021 and 2020, 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 2021 and 2020.

Entities acquired in the Presence business combination did not participate in the Ascension pooled risk program prior to July 1, 2018. At June 30, 2021, the loss reserves for estimated self-insured professional, general liability, and workers' compensation claims reported prior to July 1, 2018 for Presence entities were actuarially determined and recorded on an undiscounted basis. 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.

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 $250,000. 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)

Effective July 1, 2014, the reinsurance of Ascension's independent physician professional liability program with ProAssurance, the System's partner insurance company, was transferred from AHIL to Sunflower Assurance, Ltd. (Sunflower), a wholly owned subsidiary of Ascension Risk Services LLC.

Beginning July 1, 2014, Sunflower offered physician professional liability coverage through insurance or reinsurance arrangements to non-employed physicians practicing at the System's various facilities, primarily in Michigan, Indiana, Texas, Florida, Illinois, and Alabama. Coverage is offered to physicians with limits ranging from $100 per claim to $1,000 per claim with various aggregate limits. Beginning July 1, 2014, AHIL offered similar coverage to employed physicians in the states of Indiana, Kansas, and Wisconsin.

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 $285,430 and $274,342 for the years ended June 30, 2021 and 2020, 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 $877,454 and $798,156 at June 30, 2021 and 2020, 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 $67,643 and $60,806 for the years ended June 30, 2021 and 2020, 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 $154,875 and $140,590 at June 30, 2021 and 2020, respectively.

14. Related Parties

The System has agreements with related parties for revenue cycle management services and clinical engineering services. The System expensed approximately $1,167,000 and $1,185,000 for these services during the years ended June 30, 2021 and 2020.

(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 $5,400.

The System entered into Master Service Agreements for information technology services provided by third parties. The maximum amount of future payments that the System could be required to make under these agreements is approximately $576,000.

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 18 years.

The following represents the remaining guarantees and other commitments of the Senior and Subordinate Credit Groups at June 30, 2021:

Hospital de la Concepción 2017 Series A debt guarantee	$	20,085
St. Vincent de Paul Series 2000 A debt guarantee		28,300
Other guarantees and commitments		62,943

(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, 2021 consist of the following:

	Health care services	Management support services	Total
Salaries, wages, and employee benefits	$ 12,363,175	$ 871,639	$ 13,234,814
Purchased services and professional fees	3,106,141	1,159,667	4,265,808
Supplies	4,025,496	5,886	4,031,382
Other	4,678,327	474,702	5,153,029
Total operating expenses	**$ 24,173,139**	**$ 2,511,894**	**$ 26,685,033**

Expenses by functional classification for the year ended June 30, 2020 consist of the following:

	Health care services	Management support services	Total
Salaries, wages, and employee benefits	$ 11,881,634	$ 805,828	$ 12,687,462
Purchased services and professional fees	3,078,973	1,176,601	4,255,574
Supplies	3,655,902	6,347	3,662,249
Other	4,620,318	487,031	5,107,349
Total operating expenses	$ 23,236,827	$ 2,475,807	$ 25,712,634

Supplementary Information

Ernst & Young LLP
Suite 2600
7676 Forsyth Boulevard
St. Louis, MO 63105

Tel: +1 314 290 1000
ey.com

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 15, 2021

Ascension

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

(Dollars in Thousands)

Years Ended June 30, 2021 and 2020

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

	The years ended June 30, 2021	2020
Traditional charity care provided	**$ 493,781**	$ 664,944
Unpaid cost of public programs for persons living in poverty	**1,176,036**	1,299,739
Other programs for persons living in poverty and other persons who are vulnerable	**75,202**	100,490
Community benefit programs	**557,833**	365,251
Care of persons living in poverty and other community benefit programs	**$ 2,302,852**	$ 2,430,424

Ascension

Details of Consolidated Balance Sheet
(Dollars in Thousands)

June 30, 2021

	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	$ 670,022	$ 573,949	$ -	$ 96,073	$ 55,996	$ 40,077
Short-term investments	97,222	45,844	-	51,378	19,706	31,672
Accounts receivable	3,253,061	2,732,254	-	520,807	487,034	33,773
Inventories	534,263	479,488	-	54,775	52,447	2,328
Due from brokers	97,225	97,225	-	-	-	-
Estimated third-party payor settlements	208,630	202,393	-	6,237	6,237	-
Other	1,120,666	1,017,299	-	103,367	103,048	319
Total current assets	5,981,089	5,148,452	-	832,637	724,468	108,169
Long-term investments	26,768,323	26,119,783	484,329	164,211	164,211	-
Interest in investments held by Ascension	-	-	(484,329)	484,329	$ 484,329	-
Property and equipment, net	11,066,802	10,059,867	-	1,006,935	989,478	17,457
Other assets:						
Right-of-use-assets - leases	1,313,370	1,069,429	-	243,941	243,846	95
Investment in unconsolidated entities	1,363,777	1,285,063	-	78,714	78,714	-
Capitalized software costs, net	525,824	500,819	-	25,005	24,905	100
Other	1,380,054	1,196,859	-	183,195	181,730	1,465
Total other assets	4,583,025	4,052,170	-	530,855	529,195	1,660
Total assets	$ 48,399,239	$ 45,380,272	$ -	$ 3,018,967	$ 2,891,681	$ 127,286

Continued on next page.

Ascension

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

June 30, 2021

	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	$ 92,406	$ 85,664	$ 6,742	$ 3,181	$ 3,561
Long-term debt subject to short-term remarketing arrangements	627,390	627,390	-	-	-
Current portion of lease obligations	245,535	245,535	-	-	-
Accounts payable and accrued liabilities	3,028,487	2,802,241	226,246	220,913	5,333
Estimated third-party payor settlements	756,700	668,112	88,588	86,737	1,851
Due to brokers	219,503	219,503	-	-	-
Current portion of self-insurance liabilities	314,960	314,960	-	-	-
Current portion of Medicare advanced payments	1,271,737	1,032,358	239,379	215,005	24,374
Other	686,804	297,863	388,941	376,573	12,368
Total current liabilities	7,243,522	6,293,626	949,896	902,409	47,487
Noncurrent liabilities:					
Long-term debt (senior and subordinated)	6,805,332	6,392,483	412,849	409,288	3,561
Lease obligations, less current portion	1,097,255	849,685	247,570	247,475	95
Self-insurance liabilities	760,043	760,043	-	-	-
Pension and other postretirement liabilities	965,579	965,579	-	-	-
Medicare advanced payments	512,380	512,380	-	-	-
Other	1,738,913	1,462,802	276,111	276,111	-
Total noncurrent liabilities	11,879,502	10,942,972	936,530	932,874	3,656
Total liabilities	19,123,024	17,236,598	1,886,426	1,835,283	51,143
Net assets:					
Without donor restrictions:					
Controlling interest	25,705,637	24,741,100	964,537	911,398	53,139
Noncontrolling interests	2,726,836	2,658,562	68,274	45,270	23,004
Total net assets without donor restrictions	28,432,473	27,399,662	1,032,811	956,668	76,143
Net assets with donor restrictions	843,742	744,012	99,730	99,730	-
Total net assets	29,276,215	28,143,674	1,132,541	1,056,398	76,143
Total liabilities and net assets	$ 48,399,239	$ 45,380,272	$ 3,018,967	$ 2,891,681	$ 127,286

Ascension

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

Year Ended June 30, 2021

	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	$ 24,446,874	$ 21,023,319	$ 3,423,555	$ 3,229,700	$ 193,855
Other revenue	2,790,557	2,468,941	321,616	319,053	2,563
Total operating revenue	27,237,431	23,492,260	3,745,171	3,548,753	196,418
Operating expenses:					
Salaries and wages	10,872,664	9,785,253	1,087,411	1,059,864	27,547
Employee benefits	2,362,150	2,091,059	271,091	263,357	7,734
Purchased services	2,970,386	2,582,279	388,107	381,978	6,129
Professional fees	1,295,422	1,174,302	121,120	113,261	7,859
Supplies	4,031,382	3,522,277	509,105	466,025	43,080
Insurance	344,804	320,943	23,861	23,861	-
Interest	225,821	211,715	14,106	13,676	430
Provider tax	659,632	538,289	121,343	115,561	5,782
Depreciation and amortization	1,316,904	1,188,661	128,243	124,370	3,873
Other	2,605,868	2,139,758	466,110	449,800	16,310
Total operating expenses before impairment, restructuring and nonrecurring lossees, net	26,685,033	23,554,536	3,130,497	3,011,753	118,744
Income (loss) from operations before self-insurance trust fund investment return and impairment, restructuring and nonrecurring losses, net	552,398	(62,276)	614,674	537,000	77,674
Self-insurance trust fund investment return	141,101	141,101	-	-	-
Income from recurring operations	693,499	78,825	614,674	537,000	77,674
Impairment, restructuring and nonrecurring losses, net	(17,239)	(17,234)	(5)	(5)	-
Income from operations	676,260	61,591	614,669	536,995	77,674
Nonoperating gains (losses):					
Investment return, net	5,863,823	5,754,641	109,182	108,356	826
Other	(71,714)	(65,780)	(5,934)	(5,934)	-
Total nonoperating gains, net	5,792,109	5,688,861	103,248	102,422	826
Excess of revenues and gains over expenses and losses	6,468,369	5,750,452	717,917	639,417	78,500
Less noncontrolling interests	794,968	742,270	52,698	28,944	23,754
Excess of revenues and gains over expenses and losses attributable to controlling interest	$ 5,673,401	$ 5,008,182	$ 665,219	$ 610,473	$ 54,746

Continued on next page.

Ascension

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

Year Ended June 30, 2021

	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 of revenues and gains over expenses and losses	$ 5,673,401	$ 5,008,182	$ 665,219	$ 610,473	$ 54,746
Transfer (to) from sponsors and other affiliates, net	(1,989)	485,913	(487,902)	(443,617)	(44,285)
Net assets released from restrictions for property acquisitions	43,691	42,757	934	934	-
Pension and other postretirement liability adjustments	1,121,357	1,121,357	-	-	-
Change in unconsolidated entities' net assets	40,334	39,849	485	485	-
Membership interest changes, net	-	-	-	-	-
Other	(9,933)	(10,047)	114	115	(1)
Increase in net assets without donor restrictions, controlling interest	6,866,861	6,688,011	178,850	168,390	10,460
Net assets without donor restrictions, noncontrolling interest:					
Excess of revenues and gains over expenses and losses	794,968	742,270	52,698	28,944	23,754
Net distributions of capital	(32,016)	14,677	(46,693)	(27,478)	(19,215)
Membership interest changes, net	-	-	-	-	-
Increase in net assets without donor restrictions, noncontrolling interests	762,952	756,947	6,005	1,466	4,539
Net assets with donor restrictions:					
Contributions and grants	92,878	87,138	5,740	5,740	-
Investment return	95,718	86,168	9,550	9,550	-
Net assets released from restrictions	(81,846)	(77,029)	(4,817)	(4,817)	-
Other	(47,596)	(47,094)	(502)	(502)	-
Increase in net assets with donor restrictions	59,154	49,183	9,971	9,971	-
Increase in net assets	7,688,967	7,494,141	194,826	179,827	14,999
Net assets, beginning of year	21,587,248	20,649,533	937,715	876,571	61,144
Net assets, end of year	$ 29,276,215	$ 28,143,674	$ 1,132,541	$ 1,056,398	$ 76,143