CommonSpirit™

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UNAUDITED ANNUAL REPORT

For the Years Ended
June 30, 2021 and 2020

The information in this report
has been provided by
CommonSpirit Health

COMMONSPIRIT HEALTH

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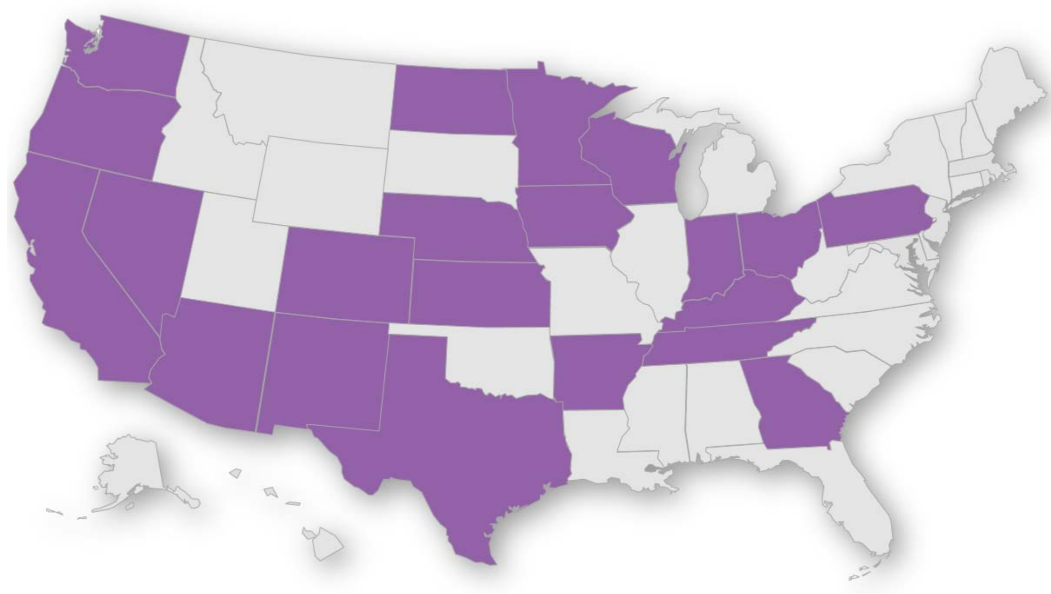
Management Discussion and Analysis of Financial Condition and Results of Operations

Overview

CommonSpirit Health is a Colorado nonprofit public benefit corporation exempt from federal and state income taxes. CommonSpirit Health was created by the alignment of Catholic Health Initiatives ("CHI") and Dignity Health in February 2019. CommonSpirit Health is a Catholic health care system sponsored by the public juridic person, Catholic Health Care Federation ("CHCF").

CommonSpirit Health owns and operates health care facilities in 21 states and is the sole corporate member (parent corporation) of other primarily nonprofit corporations that are exempt from federal and state income taxes. With its national office in Chicago, and a team of over 150,000 employees and over 25,000 physicians and advanced practice clinicians, CommonSpirit Health is comprised of more than 1,500 care sites, including 140 hospitals, consisting of academic health centers, major teaching hospitals, and critical access facilities; community health services organizations; accredited nursing colleges; home health agencies; living communities; a medical foundation and other affiliated medical groups; and other facilities and services that span the inpatient and outpatient continuum of care. The audited consolidated financial statements in Exhibit I include CommonSpirit Health and its direct affiliates and subsidiaries (together, "CommonSpirit", or the "System").



Forward-Looking Statements

Certain of the discussions in this document may include "forward-looking statements" which involve known and unknown risks and uncertainties inherent in the operation of health care facilities. Actual actions or results may differ materially from those presented herein, and past or current trends may not continue. Specific factors that might cause such differences include competition from other health care facilities in the service areas of CommonSpirit, federal and state regulation of health care providers, staffing shortages, organized labor initiatives, and reimbursement policies of the state and federal governments and managed care organizations. In particular, statements that are preceded by, followed by or include the word "believes," "estimates," "expects," "anticipates," "plans," "intends," "scheduled," or other similar expressions are or may constitute forward-looking statements.

CommonSpirit has presented its operating results for the years ended June 30, 2021 and 2020, in accordance with accounting principles generally accepted in the United States of America ("GAAP") and on a non-GAAP basis for EBITDA (earnings before interest, tax, depreciation and amortization, and nonoperating income). The non-GAAP financial measures are in addition to, not a substitute for, measures of financial performance prepared in accordance with GAAP.

CommonSpirit believes that its presentation of non-GAAP financial measures provides useful supplementary information to and facilitates additional analysis by investors. CommonSpirit uses certain non-GAAP financial measures to enhance an investor's overall understanding of the financial performance and prospects for the future of CommonSpirit's ongoing business activities by facilitating comparisons of results of ongoing business operations among current, past and future periods.

COVID-19 Pandemic – Response and Impact on Operations

Since the onset of the COVID-19 pandemic in early 2020, CommonSpirit took swift action to bring multi-disciplinary resources to clinical and operational readiness across the entire System to identify and resolve emerging issues within CommonSpirit's acute care and non-acute care sites. More than a year into the COVID-19 pandemic, these structures and services continue to support CommonSpirit's pandemic response as we are currently in a fourth surge of the virus.

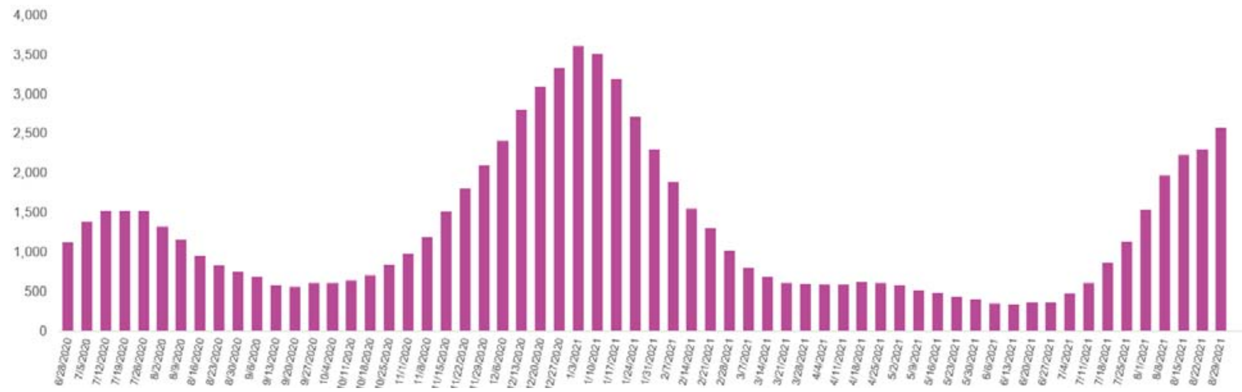
Key components of CommonSpirit's approach include:

- A unified, nationally directed COVID-19 Command Center, led by CommonSpirit's Chief Medical Officer. This executive leadership group has met nearly daily throughout the pandemic and has been able to lead a nimble and effective response to the pandemic.
- The COVID-19 Response Integrated Surveillance and Insights System ("CRISIS") dashboard and reporting tools track data across the System daily, down to the facility level. This enables CommonSpirit to manage capacity, staffing, supplies and other resources at a System level. Capabilities have expanded to include vaccination information, patient demographics, and the impact on pandemic-sensitive services such as elective surgery and emergency department and virtual visit volumes as compared to pre-pandemic levels.
- A System-wide approach to addressing the demands on the organization, establishing an interdivisional distribution system deploying personal protective equipment ("PPE"), supplies, and ventilators across the divisions, and, as feasible, caregivers.
- A national, high-capacity COVID-19 testing laboratory located in Arizona opened in September 2020 to provide additional testing capacity.
- Internally developed predictive models that enabled the System to anticipate surges in particular geographies and plan staffing, PPE, testing and other resources as needed to meet community needs.
- Using a science-based approach to establish (and modify as needed) national guidelines such as those related to masking requirements.

As a national System with leading experts across the country in multiple fields, CommonSpirit was positioned to quickly evaluate, summarize, implement and modify, as needed, the evolving science and to put it into practice through national guidelines and protocols. Recommendations from the National Critical Care Council, for example, on how to treat the COVID-19 virus by using a combination of materials from the leading professional societies (such as the Society of Critical Care Medicine), as well as recommendations from the Centers of Disease Controls and Prevention ("CDC") and National Institutes of Health, helped to create a model for decision making around the purchase of needed equipment (e.g. ventilators and oxygenating hoods). At the peak (during the winter months), there was a weekly national COVID-19 call attended by critical care clinicians from across the enterprise to discuss the latest recommendations and controversies and to share local experience and practices.

While conditions have improved since the peak surge experienced earlier this year when cases reached over 4,100 in early January, the national outlook worsened quickly during July to August 2021, with more than a fivefold increase in new cases per day during that period. Hospitalizations and deaths also increased, but at far lower rates than cases. The highly contagious Delta variant of the COVID-19 virus caused the spike in cases. At CommonSpirit, the COVID-19 inpatient census peak in early September was almost 2,900 patients, which was over an eight-fold increase since reaching a low point in the summer of 2021.

COVID -19 Weekly Census



As this latest surge is bringing increasing cases seen with the Delta variant, we go in with confidence stemming from considerable experience and expertise. With the recent announcement by the CDC recommending continued masking, the Supply Chain team has well-positioned CommonSpirit with increased on-hand PPE inventory through solidified domestic sources and through Dignity Bio-Life International, a joint venture in China. Despite the uptick in cases, through increasing knowledge and better treatment protocols, we also anticipate that ventilator availability is not an obstacle.

In addition to focusing on the management of the increased cases, as one of the largest not-for profit health systems, CommonSpirit is working to combat and mitigate the impact of COVID-19 and its variants. Across communities large and small, CommonSpirit is providing health care services covering the entire care continuum - from acute care, clinical specialties, primary care clinics, home health care, virtual care, and community health programs, through a lens of health equity.

CommonSpirit is actively working to address the social, economic, environmental, and clinical drivers of inequity. We are building and engaging a diverse workforce that is reflective of the communities we serve and are standardizing the creation of equitable whole person care, seeking to partner effectively to maximize impact, and advocating for more equitable policies at the local, state, and federal levels.

CommonSpirit is also focused on pursuing support for public health through our efforts to help address vaccine hesitancy as a major tool to combat the spread of COVID-19. Below are some of the ways we are addressing this:

- Our staff – Conducted surveys to understand underlying reasons for vaccine hesitancy, leveraging results through thought-leadership efforts with media and offering a series of social media graphics addressing vaccine myths. In August 2021, CommonSpirit implemented a System-wide vaccine requirement upon evaluating several factors, including the rapid spread of the Delta variant, FDA review for full approval, labor management considerations, and the potential effect on recruitment. The effective date of the requirement is November 1, with specific exemptions allowed.

- Our communities – CommonSpirit is focused on vaccine hesitancy in communities of color, partnering with physicians, communications, and marketing teams to develop extensive patient facing materials, including fact sheets, posters, videos, and articles shared internally and externally, addressing the factors of vaccine hesitancy and providing specific information regarding each of the three approved vaccines.

- Vulnerable populations – CommonSpirit launched a consumer outreach effort to support vaccine distribution in all of our geographies, in close consultation with physician and clinical leaders. This work includes focused efforts on the young (ages 18-30), and Black and Hispanic Americans. To date, almost 1.6 million vaccinations have been provided by CommonSpirit. Vaccination clinics have been sponsored in communities such as southern California's Carson and Compton communities to help mitigate the impact of COVID-19 on racial and ethnic minority populations. Additionally, CommonSpirit created a vaccine hesitancy outreach communication toolkit on COVID-19 and Health Equity with multiple resources available at https://commonspiritpophealth.org/programs-tools.

- National Advocacy/Media campaign – In partnership with Morehouse School of Medicine (MSM), CommonSpirit is supporting the National COVID-19 Resiliency Network (NCRN). Through a memorandum of understanding (MOU), CommonSpirit is providing access to health care to ethnic minorities and supporting the outreach efforts, along with 45 national partners and 335 community-based organizations. Together we are providing call center interpretation in 200+ languages and educational materials offered in 13 languages. CommonSpirit has advanced 5 joint virtual outreach and community education sessions with over 1,000 people reached. The work of the NCRN has to date reached over 1 million people through social media and multimedia.

At the beginning of the pandemic, CommonSpirit set three major goals: keep staff and patients safe, remain open and provide vital services to communities, and provide leadership. Through collaboration, innovation and agile decision-making, CommonSpirit has been successful in achieving these goals and will maintain these priorities going forward.

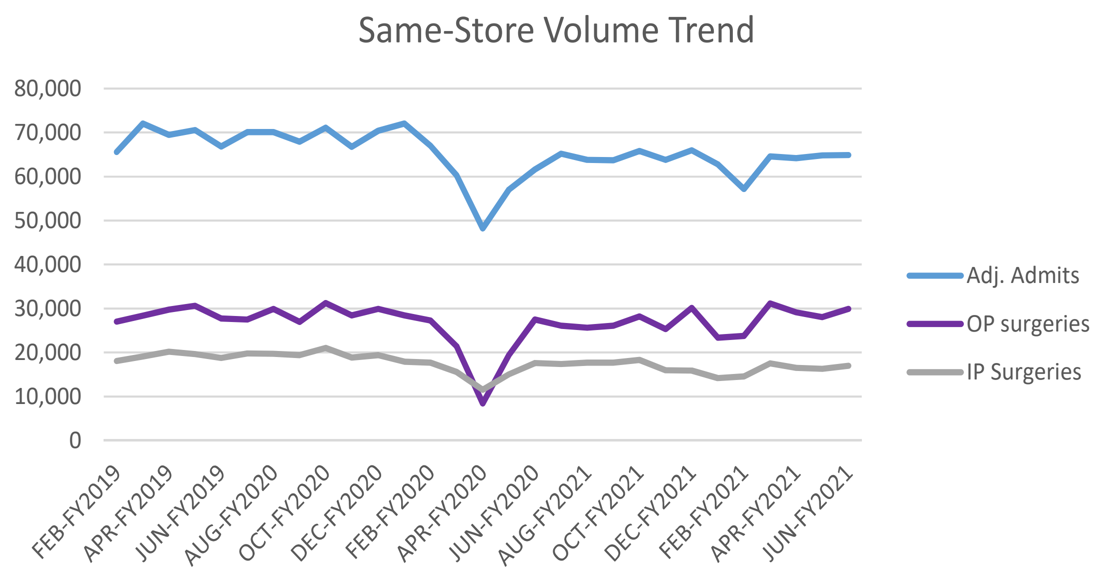
Virtual Health

The virtual infrastructure and clinical capabilities developed by CommonSpirit provided the platform to immediately respond to the challenges posed by the COVID-19 pandemic and the shelter-in-place mandates. In March 2020, CommonSpirit rapidly expanded access to a range of virtual health options for its clinicians and patients. Virtual care through video visits, online health assessments, pre-visit screening, and other means has become increasingly critical in caring for its communities. Virtual care extends across the continuum of care (virtual ICU, health at home, palliative care and other applications).

Since the onset of the COVID-19 pandemic through June 30, 2021, CommonSpirit provided over 1.8 million virtual visits. The demand for virtual visits persists, even after in-office visits have rebounded from their lows in April 2020. Virtual visits have stabilized during FY21 to approximately 13% of total visits, from a high of more than 37% in April 2020. CommonSpirit anticipates that virtual visits will continue to be a key component of the health care delivery system into the future.

Operational Impact

The pandemic continues to create significant financial challenges for health care providers. With the cancellation of elective and non-emergent procedures that began in mid-March 2020 to allow for additional acute-care capacity for patients affected by the COVID-19 pandemic, CommonSpirit experienced lower volumes across the System, varying significantly by division. In mid-May 2020 when states began to permit health care facilities to resume elective procedures, CommonSpirit implemented initial re-opening phases following the guidance of federal, state and local public health agencies. During the peaks of COVID-19 cases over the past year, non-COVID-19 volumes declined, returning at a slower rate, particularly after the January 2021 peak as patients postponed care waiting to be vaccinated, seasonal flu and pneumonia were very low, and late-February winter storms hit the Midwest, Texas and the South. The following table is a summary of key volume metrics experienced throughout the pandemic on a same-store basis:



For the month of June 2021, charge volume recovered to about 3.0% above pre-COVID-19 pandemic levels, reflecting higher acuity in many of the patients present at CommonSpirit's health care facilities.

As CommonSpirit continues to manage through the COVID-19 pandemic, the organization has taken steps to mitigate the related financial and operational challenges on the System. Leadership believes the System's size and geographic diversity have helped to smooth the impact of the crisis on the System. Specifically:

- **Expense and Liquidity Management**. CommonSpirit had been on a path to improving efficiency and realizing synergies as part of its alignment, and was well positioned to take a disciplined approach to expense management during the pandemic. CommonSpirit initiated several near-term actions to mitigate some of the impact of the COVID-19 pandemic, including: temporary salary reductions through the end of December 31, 2020, flex time and furloughs, labor productivity management, renegotiation of certain vendor contracts to reflect lower patient volumes, reduction in non-essential costs, shifting to virtual care, and focusing on "re-opening". Additional actions include a rigorous capital review process and deferral of non-essential capital spending, draws on working capital lines of credit, and ongoing liquidity monitoring.
- **Revenue Diversification**. CommonSpirit's operations across 21 states create a strong geographic diversification of revenues for the System. As COVID-19 cases fluctuate across CommonSpirit's communities, certain divisions have thus far experienced a higher number of confirmed patients than other divisions, particularly in Southern California, Arizona and Texas. Other divisions have not experienced the same levels of positive COVID-19 patients and more quickly rebounded to volumes approaching pre-COVID-19 pandemic levels. Given the variation in re-opening trends, restrictions, and different disease transition rates among states, CommonSpirit anticipates that surges may ebb and flow across different geographies at different times, and the System's geographic diversity may provide greater stability of revenue trends versus more geographically concentrated providers.

Governmental Support

The Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") provides stimulus in the form of financial aid to cover extensive emergency funding to hospitals and providers through existing mechanisms to prevent, prepare for, and respond to COVID-19. Through June 30, 2021, CommonSpirit has received approximately $1.5 billion under the CARES Act in the form of grants as reimbursement through the Public Health and Social Services Emergency Fund for health care expenses and lost revenues attributable to COVID-19. These payments are recorded as other operating revenues, as earned. For the year ended June 30, 2021, $690 million has been recorded in other operating revenues in the consolidated statements of operations and changes in net assets, and $826 million was recognized during the year ended June 30, 2020. These funds are not required to be repaid upon attestation and compliance with certain terms and conditions.

To date, CommonSpirit received $2.8 billion in funds under the Medicare Accelerated and Advance Payment Program, of which $2.6 billion was received as of June 30, 2020, and the remainder in fiscal year 2021. These payments are advances that will be recouped by withholding future Medicare fee-for-service payments for claims until such time as the full accelerated payment has been recouped. During the three months ended June 30, 2021, $265 million was recouped, and approximately $110 million per month is expected to be recouped going forward, based on historical experience. As of June 30, 2021, the terms and conditions of recoupment are extended to 29 months from date of receipt, at which time remaining unpaid amounts are subject to interest of 4%. As of June 30, 2021, $1.4 billion is recorded in Medicare advances, and $1.1 billion is recorded in Medicare advances - long-term.

Through June 30, 2021, CommonSpirit has deferred $416 million in employer payroll taxes pursuant to the Paycheck Protection Program and Health Care Enhancement Act, of which $208 million is recorded in accrued salaries and benefits within current liabilities, and $208 million is recorded in other accrued liabilities - long-term.

In total, the funds received under the Medicare Accelerated and Advance Payment Program and the Paycheck Protection Program and Health Care Enhancement Act represent 35 days cash on hand as of June 30, 2021, and 34 days in the prior year.

While the aid received from the programs above provides much needed assistance during this crisis, CommonSpirit is unable to assess the extent to which the amounts and benefits received, or to be received, will offset the long-term changes in volumes, payor mix, service mix, or care sites arising from the COVID-19 pandemic.

The following table illustrates the detail of the CARES Act funding by division:

CARES Act Funding			As of June 30, 2021		
	Years Ended June 30,		Deferred	Cumulative	Cumulative
	2021	2020	Revenue	CARES	Medicare
($ in millions)	Other Operating Revenue		(Liability)	Act Grants	Advances, net
Southeast	$ 123	$ 102	$ 2	$ 227	$ 325
Central California	27	49	1	77	161
Central Coast	28	25	1	54	148
Southwest	96	64	1	161	189
Southwest	151	138	3	292	498
Greater Sacramento	66	70	1	137	199
Northern California	46	55	-	101	237
Northern California	112	125	1	238	436
Pacific Northwest	94	77	-	171	315
Arizona	24	76	-	100	172
Fargo	7	23	1	31	43
Midwest	53	73	4	130	232
Midwest	60	96	5	161	275
Colorado	31	81	3	115	175
Texas	72	69	-	141	199
Iowa	28	20	(1)	47	91
National Business Lines*	8	7	-	15	22
Subtotal Divisions	703	791	13	1,507	2,508
Corporate Services	(13)	35	2	24	-
CommonSpirit Total	$ 690	$ 826	$ 15	$ 1,531	$ 2,508

** Includes Home Care and Senior Living Business Lines.*

CommonSpirit experienced EBITDA improvement during the 2021 fiscal year, compared to losses experienced during the early months of the pandemic, as volumes, expense management and productivity continue to improve.

Trend COVID-19 Impact	Month of	Monthly Average per Quarter					February	Years Ended	
	Mar	Jun	Sep	Dec	Mar	June	Pre-COVID	June 30,	
($ in millions)	2020	2020	2020	2020	2021	2021	Run Rate*	2021	2020
Total operating revenues	$ 2,190	$ 2,380	$ 2,574	$ 2,760	$ 2,948	$ 2,803	$ 2,518	$ 33,253	$ 29,579
EBITDA	$ (175)	$ 96	$ 214	$ 279	$ 344	$ 141	$ 153	$ 2,936	$ 1,436
Margin %	(8.0%)	4.0%	8.3%	10.1%	11.7%	5.0%	6.1%	8.8%	4.9%
EBITDA - excluding CARES Act revenue and gain on sale of joint venture shares	$ (175)	$ (179)	$ 150	$ 182	$ 126	$ 117	$ 153	$ 1,723	$ 610
Margin %	(8.0%)	(8.5%)	6.0%	6.8%	4.6%	4.2%	6.1%	5.4%	2.1%
CARES Act revenue	$ -	$ 275	$ 64	$ 97	$ 44	$ 24	$ -	$ 690	$ 826

** Adjusted to normalize the FY20 California Provider Fee Program revenues and expenses.*

California Provider Fee Program

In February 2020, the Centers for Medicare and Medicaid Services ("CMS") approved the State Plan Amendment ("SPA") and allocation model previously submitted by the State of California for the 30-month provider fee program beginning July 1, 2019. As such, twelve months of California provider fee net income was recorded during the year ended June 30, 2020, related to the new program. CommonSpirit recorded $1.0 billion of net patient revenue in the year ended June 30, 2021, compared to $967 million during the same period in the prior year, and $493 million in purchased services and other expense for the year June 30, 2021, compared to $483 million for the same period in the prior year. Net income for the program of $523 million was recorded during the year ended June 30, 2021, compared to $484 million for the same period in the prior year.

CommonSpirit also recorded a favorable true-up of $82 million during the year ended June 30, 2020, in net patient revenues, and $18 million during the year ended June 30, 2020, in purchased services and other related to the prior California Provider Fee Program, which expired June 30, 2019.

Financial Highlights and Summary

CommonSpirit recorded operating income of $998 million during the year ended June 30, 2021, compared to an operating loss of $550 million, for the same period in the prior year. The results for the year ended June 30, 2021, include $523 million in operating income related to a pre-tax gain on sale of joint venture shares. The operating gain, excluding the gain on sale, was $475 million.

Effective November 1, 2020, Yavapai Regional Medical Center ("YRMC") became affiliated with CommonSpirit as a subsidiary of Dignity Community Care, a consolidated affiliate of CommonSpirit. YRMC owns and operates a 134-bed acute care hospital in Prescott, Arizona, a 72-bed acute care hospital in Prescott Valley, Arizona, and several other primary and specialty care facilities located throughout Prescott and Prescott Valley. As a result of the affiliation, a contribution of the excess of unrestricted assets over liabilities of $507 million was recognized as a contribution from business combination, and the favorable financial results of YRMC are included in the accompanying consolidated financial statements as of the effective date.

Effective January 1, 2021, Franciscan Health System ("FHS"), Virginia Mason Health System ("VMHS"), and CommonSpirit Health, the sole member of FHS, completed an affiliation transaction, pursuant to which, among other things, CommonSpirit formed Virginia Mason Franciscan Health ("VMFH"), a Washington non-profit corporation. VMFH owns and operates Virginia Mason Medical Center ("VMMC"), Benaroya Research Institute ("BRI"), and other affiliates of FHS and VMMC. With the addition of VMMC, a 336-bed acute care hospital and other care sites from VMHS, VMFH operates 11 hospitals and nearly 300 cares sites within the Pacific Northwest. The agreement did not include consideration, and resulted in the recognition of a $511 million gain, recorded as contribution from business combination in nonoperating income (loss), and the favorable financial results of the contributed entities are included in the accompanying consolidated financial statements as of the effective date.

CommonSpirit's EBITDA increased to $2.9 billion for year ended June 30, 2021, from $1.4 billion during the same period in the prior year. The EBITDA margin for the year ended June 30, 2021, increased to 8.8% from 4.9% for the same period in the prior year. Excluding CARES Act grant revenues and the gain on sale of joint venture shares, EBITDA for the year ended June 30, 2021, was $1.7 billion with an EBITDA margin of 5.4%, compared to $610 million with an EBITDA margin of 2.1%, during the same period in the prior year.

For year ended June 30, 2021, CommonSpirit's volumes on an adjusted admission basis improved from the lower volumes during the pandemic, but did not achieve pre-pandemic levels and were unfavorable to the same period in the prior year by 0.4%. Adjusted patient days for the year ended June 30, 2021, were higher than the same period in the prior year by 8.5%. The acute average length of stay (ALOS) of 5.00 days for the year ended June 30, 2021, was higher than the prior year of 4.59, primarily due to higher acuity and placement issues due to lack of availability of skilled nursing beds for both COVID and non-COVID patients.

Key Indicators Financial Summary			
	Years Ended June 30,		
($ in millions)	2021	2020	Change
EBITDA	$ 2,936	$ 1,436	$ 1,500
Margin %	8.8%	4.9%	3.9%
EBITDA - excluding gain on sale of joint venture shares and CARES Act revenue	$ 1,723	$ 610	$ 1,113
Margin % - excluding gain on sale of joint venture shares and CARES Act revenue	5.4%	2.1%	3.3%
Operating income (loss)	$ 998	$ (550)	$ 1,548
Margin %	3.0%	(1.9%)	4.9%
Operating loss - excluding gain on sale of joint venture shares and CARES Act revenue	$ (215)	$ (1,376)	$ 1,161
Margin % - excluding gain on sale of joint venture shares and CARES Act revenue	(0.7%)	(4.8%)	4.1%
Excess (deficit) of revenues over expenses	$ 5,450	$ (524)	$ 5,974
Margin %	14.9%	(1.8%)	16.7%

Results of Operations

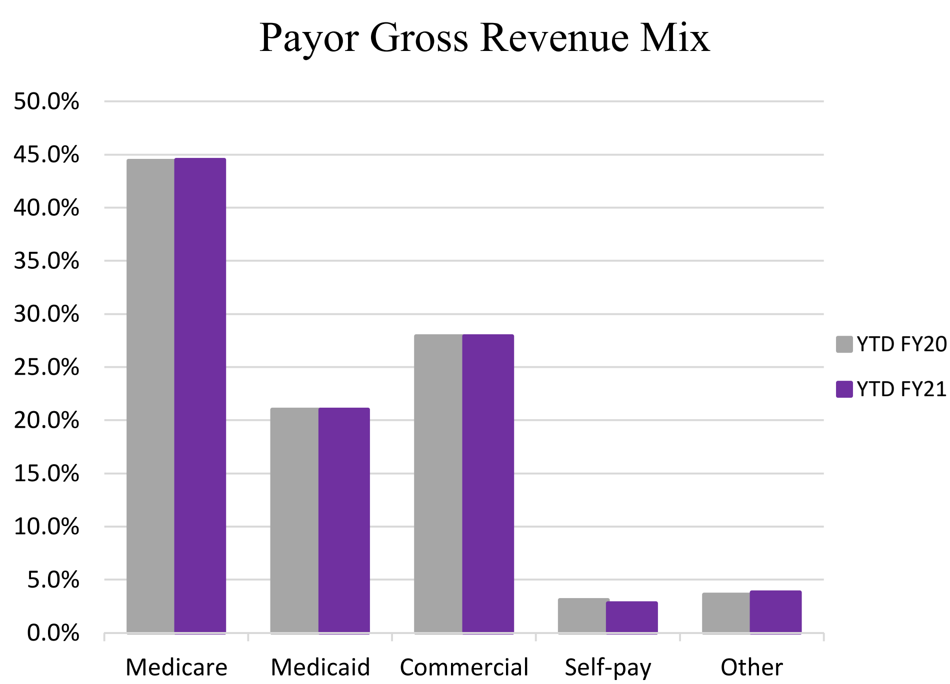
Operating Revenues and Volume Trends

Net patient and premium revenues increased $2.8 billion, or 10.3%, over the same period in the prior year for the year ended June 30, 2021. The increase is primarily due to higher acuity, the YRMC and VMHS affiliations, and stable payor mix, partially offset by continued volume shortfalls resulting from the COVID-19 pandemic. Net patient and premium revenue per adjusted admission increased 10.8% during the year ended June 30, 2021. This increase is primarily due to higher acuity, rate changes and stable payor mix.

Volumes				
	Years Ended June 30,			
	2021	2020	Change	%
Acute admissions	780,437	782,549	(2,112)	(0.3%)
Adjusted admissions	1,532,867	1,539,180	(6,313)	(0.4%)
Acute inpatient days	3,903,919	3,592,979	310,940	8.7%
Adjusted patient days	7,667,743	7,066,958	600,785	8.5%
Acute average length of stay	5.00	4.59	0.41	8.9%
Outpatient visits	26,432,061	24,385,619	2,046,442	8.4%
ED visits	3,361,252	3,661,255	(300,003)	(8.2%)
Gross outpatient revenue as a % of total gross patient services revenue	49.1%	49.2%	(0.1%)	(0.1%)

Same-Store Volumes				
	Years Ended June 30,			
	2021	2020	Change	%
Acute admissions	766,808	782,549	(15,741)	(2.0%)
Adjusted admissions	1,497,995	1,539,180	(41,185)	(2.7%)
Acute inpatient days	3,831,621	3,592,979	238,642	6.6%
Adjusted patient days	7,485,250	7,066,958	418,292	5.9%
Acute average length of stay	5.00	4.59	0.41	8.9%
Outpatient visits	25,634,734	24,385,619	1,249,115	5.1%
ED visits	3,310,932	3,661,255	(350,323)	(9.6%)
Gross outpatient revenue as a % of total gross patient services revenue	48.8%	49.2%	(0.4%)	(0.4%)

Payor mix based on gross revenues for the year ended June 30, 2021, is relatively stable, compared to the same periods in the prior year, despite the COVID-19 pandemic. The following chart represents the payor gross revenue mix for consolidated operations for the years ended June 30, 2021 and 2020:



All other operating revenues increased $854 million, or 38.6%, over the same periods in the prior year for the year ended June 30, 2021, primarily due to a $523 million pre-tax gain on sale of joint venture shares, favorable joint venture results, and higher grant and pharmaceuticals revenues, partially offset by lower CARES Act grants revenue and cafeteria revenues. Excluding the CARES Act grants and the gain on sale of joint venture shares, other operating revenues increased $467 million, or 33.6%, over the same period in the prior year.

Operating Revenues			
	Years Ended June 30,		
($ in millions)	2021	2020	Change
Net patient and premium revenues	$ 30,185	$ 27,365	$ 2,820
All other operating revenues	3,068	2,214	854
Total operating revenues	$ 33,253	$ 29,579	$ 3,674

Uncompensated Care			
	Years Ended June 30,		
($ in millions)	2021	2020	Change
Uncompensated Care:			
Charity care, at customary charges	$ 2,041	$ 2,089	$ (48)
Charity care, as a percentage of gross revenue	1.6%	1.8%	(0.2%)
Charity care, at cost, net	$ 482	$ 437	$ 45
Charity care, at cost, as a percentage of total expenses	1.5%	1.5%	0.0%
Unpaid cost of Medicaid / Medi-Cal, net	$ 1,558	$ 1,319	$ 239
Unpaid cost of Medicare, net	$ 2,535	$ 2,352	$ 183
Net Community Benefit Expense			
Total community service for the poor	$ 209	$ 190	$ 19
Total benefits for the broader community	$ 281	$ 230	$ 51
Total community benefits	$ 2,576	$ 2,240	$ 336
Total community benefits including unpaid cost of Medicare	$ 5,111	$ 4,592	$ 519

Charity care at customary charges for the year ended June 30, 2021 is lower than the same period in the prior year, primarily due to low patient census as a result of the pandemic.

Operating Expenses

Salaries and benefits increased $1.4 billion, or 9.2%, over the same period in the prior year, for the year ended June 30, 2021, with salaries and benefits per adjusted admission increasing 9.7%, primarily due to reduced volume, high registry and contract labor costs, higher staffing costs due to premium pay programs, overtime and retention programs, and higher length of stay and acuity due to COVID-19.

Supplies increased $571 million, or 12.6%, during the year ended June 30, 2021, compared to the same period in the prior year. The increase is primarily due to increased supplies related to higher acuity (which impacted pharmaceutical, laboratory and other supply costs), the YRMC and VMHS affiliations, additional supplies required for COVID-19 preparedness, particularly personal protective equipment, and general inflation.

Purchased services and other increased $250 million, or 2.8%, for the year ended June 30, 2021, compared to the same period in the prior year, primarily due to higher California provider fee expense, the YRMC and VMHS affiliations, medical fees, and lease expenses, partially offset by lower insurance costs, consulting costs, repairs and maintenance, and travel expenses.

Expense Management and Productivity	Years Ended June 30, 2021	2020
Expense Management:		
Supply expense as a % of net patient and premium revenue	16.8%	16.5%
Purchased services and other as a % of net patient and premium revenue	30.6%	32.8%
Capital expense as a % of net patient and premium revenue	6.4%	7.3%
Non-capital cost per adjusted admission	$ 19,778	$ 18,284
Productivity:		
Salaries, wages and benefits as a % of net patient and premium revenue	53.0%	53.5%
Number of FTEs	128,086	124,389
FTEs per adjusted admission	27.33	26.80

Operating Expenses ($ in millions)	Years Ended June 30, 2021	2020	Change
Salaries and benefits	$ 16,006	$ 14,653	$ 1,353
Supplies	5,086	4,515	571
Purchased services and other	9,225	8,975	250
Depreciation and amortization	1,487	1,530	(43)
Interest expense, net	451	456	(5)
Total operating expenses	$ 32,255	$ 30,129	$ 2,126

Nonoperating Results

CommonSpirit recorded investment income, net, of $3.4 billion during the year ended June 30, 2021, compared to investment income, net, totaling $273 million during the same period in the prior year, due to strong financial markets.

CommonSpirit recorded a loss on early extinguishment of debt of $12 million during the year ended June 30, 2021, compared to $110 million during same period in the prior year, related to debt restructuring in 2021 and 2020.

Income tax expense was $139 million during the year ended June 30, 2021, compared to $50 million during the same period in the prior year. The increase is related to estimated tax on the gain on sale of joint venture shares.

The change in market value and cash payments of interest rate swaps was a favorable result of $86 million during the year ended June 30, 2021, compared to unfavorable results of $219 million during the same period in the prior year.

Contribution from business combination amounted to a gain of $1.0 billion during the year ended June 30, 2021, as a result of the affiliations with VMHS and YRMC, compared to a gain of $54 million during the same period in the prior year.

Net periodic postretirement costs amounted to $86 million of income during the year ended June 30, 2021, compared to $100 million during the same period in the prior year.

Nonoperating Results			
	Years Ended June 30,		
($ in millions)	2021	2020	Change
Investment income, net	$ 3,399	$ 273	$ 3,126
Loss on early extinguishment of debt	(12)	(110)	98
Income tax expense	(139)	(50)	(89)
Change in fair value and cash payments of interest rate swaps	86	(219)	305
Contribution from business combination	1,018	54	964
Other components of net periodic postretirement costs	86	100	(14)
Other	14	(22)	36
Total nonoperating income, net	$ 4,452	$ 26	$ 4,426

Operating Revenues by Division

The following tables present operating revenues by division for the years ended June 30, 2021 and 2020:

Division Operating Revenues			
	Years Ended June 30,		
($ in millions)	2021	2020	Change
Southeast	$ 3,740	$ 3,294	$ 446
Central California	2,346	2,185	161
Central Coast	1,529	1,422	107
Southwest	3,235	3,025	210
Southwest	7,110	6,632	478
Greater Sacramento	3,021	2,916	105
Northern California	2,144	2,072	72
Northern California	5,165	4,988	177
Pacific Northwest	3,736	2,860	876
Arizona	3,180	2,529	651
Fargo	424	429	(5)
Midwest	2,552	2,381	171
Midwest	2,976	2,810	166
Colorado	2,705	2,524	181
Texas	2,593	2,309	284
Iowa	1,149	1,033	116
National Business Lines*	369	395	(26)
Other	19	24	(5)
Subtotal Divisions	32,742	29,398	3,344
Corporate Services	511	181	330
CommonSpirit Total	$ 33,253	$ 29,579	$ 3,674

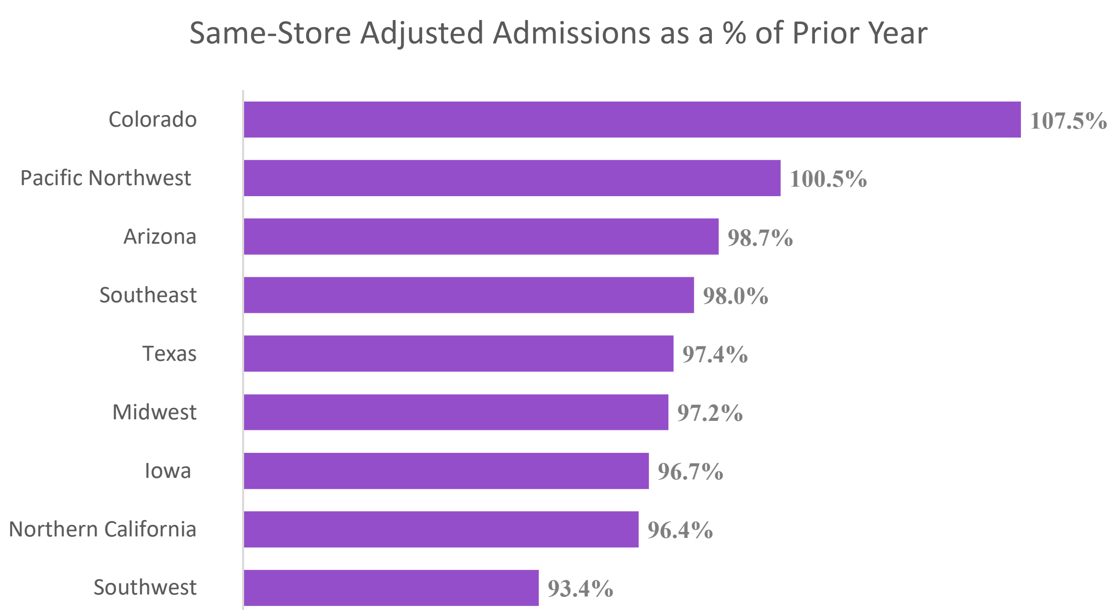
** Includes Home Care and Senior Living Business Lines.*

Following are the significant division performance drivers related to operating revenues compared to prior year for the year ended June 30, 2021:

- Pacific Northwest Division – operating revenues increased $876 million from the same period in the prior year, primarily due to higher commercial payor mix, higher volumes, higher acuity, and additional revenue of $610 million related to the affiliation of VMHS effective January 1, 2021. Same-store adjusted admissions increased from the prior year by 0.5%.
- Arizona Division – operating revenues increased $651 million from the same period in the prior year, primarily due to additional revenue of $285 million related to the affiliation of YRMC effective November 1, 2020, higher outpatient volumes, Arizona provider fee program revenues, higher acuity, and favorable revenue from health-related joint venture activities, partially offset by a 1.3% decrease in same-store adjusted admissions.

- Southwest Division – operating revenues increased $478 million from the same period in the prior year, primarily due to higher acuity, higher commercial payor mix, and a $21 million gain on sale of property, partially offset by a 6.6% decrease in same-store adjusted admissions and lower surgical and outpatient volume.
- Southeast Division - operating revenues increased $446 million from the same period in the prior year, primarily due to higher commercial payor mix and higher outpatient volume, partially offset by a 2.0% decrease in same-store adjusted admissions.
- Texas Division – operating revenues increased $284 million from the same period in the prior year, primarily due to higher acuity, partially offset by a 2.6% decrease in same-store adjusted admissions, and lower surgical and outpatient volumes.
- Colorado Division – operating revenues increased $181 million from the same period in the prior year, primarily due to higher acuity, strong operating performance at St. Anthony's Hospital, and a 7.5% increase in same-store adjusted admissions.
- Northern California – operating revenues increased $177 million from the same period in the prior year, primarily due to higher acuity and stable payor mix, partially offset by a 3.6% decrease in same-store adjusted admissions.
- Midwest Division – operating revenues increased $166 million from the same period in the prior year, primarily due to a $27 million increase in contract pharmacy revenues, partially offset by a 2.8% decrease in same-store adjusted admissions.

The table below reflects the same-store adjusted admissions (excluding the impact of the affiliation with YRMC and VMHS) as a percentage of prior year, for the year ended June 30, 2021:



Balance Sheet Metrics

The following table provides key balance sheet metrics for CommonSpirit:

Key Balance Sheet Metrics ($ in millions)	June 30, 2021	June 30, 2020	Change
Consolidated Balance Sheet Summary			
Total assets	$ 54,876	$ 46,773	$ 8,103
Total liabilities	$ 32,978	$ 33,178	$ (200)
Total net assets	$ 21,898	$ 13,595	$ 8,303
Financial Position Ratios			
Unrestricted cash and investments	$ 20,663	$ 15,782	$ 4,881
Days cash on hand	245	202	43
Total debt	$ 15,541	$ 15,040	$ 501
Debt to capitalization	44.2%	55.0%	(10.8%)

Liquidity

Unrestricted cash and investments were $20.7 billion at June 30, 2021, and $15.8 billion at June 30, 2020. The increase is primarily due to strong investment returns, the sale of joint ventures shares, CARES Act revenue, the consolidation of the CommonSpirit Operating Investment Pool, LLC ("CSH OIP"), YRMC and VMHS, and favorable operating results, partially offset by financing activities. CommonSpirit is actively monitoring liquidity, given the operational disruption related to COVID-19.

Liquidity and Capital Resources ($ in millions)	June 30, 2021	June 30, 2020	Change
Cash	$ 3,329	$ 5,927	$ (2,598)
Short-term investments	1,124	233	891
Long-term investments, excluding assets limited as to use	16,210	9,622	6,588
Total unrestricted cash and investments	$ 20,663	$ 15,782	$ 4,881

Capital Resources

Cash used in operating activities totaled $2.1 billion for the year ended June 30, 2021, compared to cash provided of $4.4 billion for the same period in the prior year. Significant activity for the year ended June 30, 2021, includes the following:

- Investments increased $7.5 billion during the year ended June 30, 2021, compared to a decrease of $213 million during the same period in the prior year, due to investment returns and the full consolidation of YRMC, VMHS and CSH OIP.
- Medicare advances to be withheld from future Medicare fee-for-service payments decreased $137 million during the year ended June 30, 2021, compared to an increase of $2.6 billion during the same period in the prior year.
- Accounts receivable, net, increased $540 million during the year ended June 30, 2021, compared to a decrease of $156 million during the same period in the prior year.
- Other accrued liabilities decreased $144 million during the year ended June 30, 2021, compared to an increase of $377 million during the same period in the prior year.

Cash used in investing activities totaled $267 million for the year ended June 30, 2021, compared to $1.2 billion for the same period in the prior year, primarily due to the following:

- Capital expenditures were $1.5 billion during the year ended June 30, 2021, compared to $1.3 billion during the same period in the prior year. Such capital expenditures primarily relate to expansion and renovation of existing facilities, equipment and systems additions and replacements, and various other capital improvements.
- Proceeds from the sale of assets were $918 million during the year ended June 30, 2021, compared to $218 million during the same period in the prior year.
- Cash distributions from health-related activities were $271 million during the year ended June 30, 2021, compared to $102 million during the same period in the prior year.
- Investments in health-related activities were $174 million during the year ended June 30, 2021, compared to $167 million during the same period in the prior year.

Cash used in financing activities totaled $194 million for the year ended June 30, 2021, compared to cash provided by financing activities of $1.1 billion for the same period in the prior year, primarily due to the following:

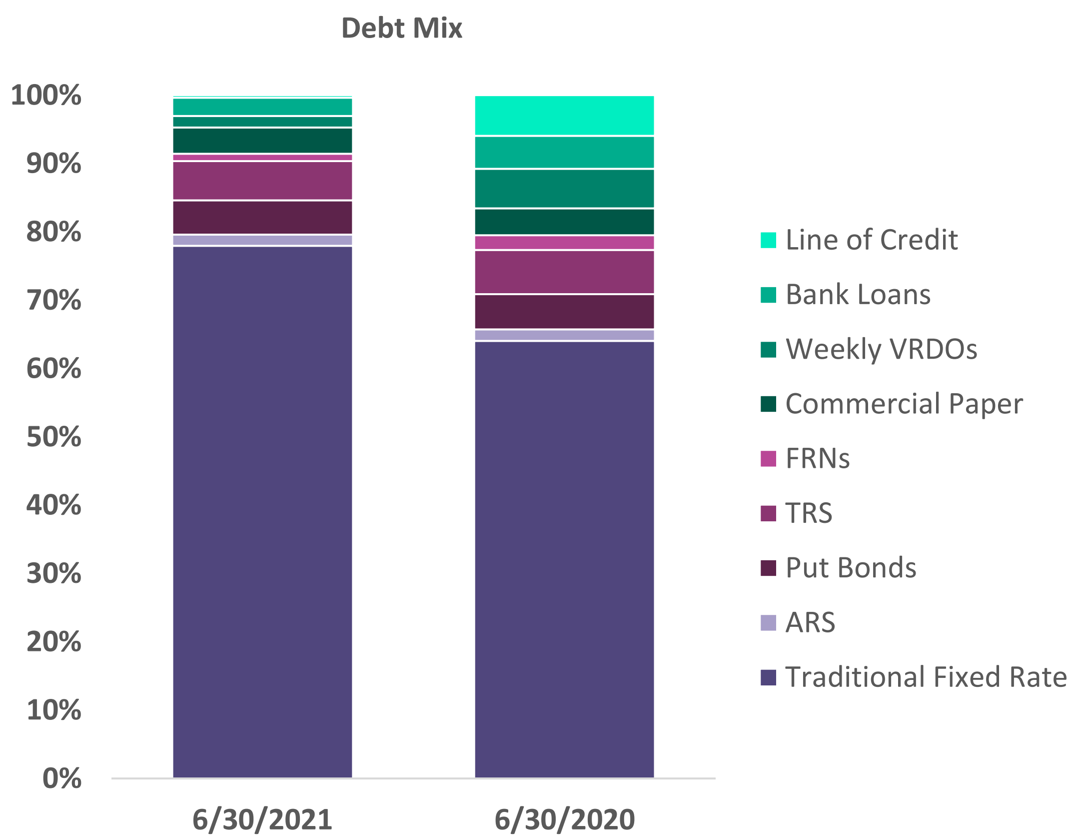
- Net repayments of debt were $238 million during the year ended June 30, 2021, compared to net borrowings of debt of $1.4 billion during the same period in the prior year, in connection with $800 million in repayments of line of credit draws in September 2020, the October 2020 financing, and the August 2019 financing.
- Debt extinguishment costs were $12 million during the year ended June 30, 2021, compared to $110 million during the same period in the prior year, related to the debt financings.

Debt Portfolio

As part of a debt consolidation plan, the debt previously issued by CHI and Dignity Health was consolidated into a single unified credit group and debt structure in August 2019 in connection with the issuance and sale of the 2019 tax-exempt and taxable bonds, under a new CommonSpirit Health Master Trust Indenture (the "CommonSpirit Health MTI"). The CommonSpirit Health MTI has an Obligated Group that is comprised of the former Dignity Health Obligated Group and CHI entities (collectively, the "CommonSpirit Obligated Group"). The CommonSpirit Obligated Group represents approximately 85% of consolidated revenues of CommonSpirit as of June 30, 2021.

CommonSpirit completed a $2.2 billion bond financing in October 2020 to restructure or refinance certain indebtedness, and finance and reimburse $750 million related to capital projects. The financing closed on October 28, 2020, and was comprised of $577 million in fixed rate tax-exempt bonds issued at a premium through the California Health Facilities Financing Authority, and $1.7 billion in taxable bonds issued by CommonSpirit Health. The 2020 financing served to generate net present-value savings from tax-exempt refinancings, achieve a favorable cost of capital on new borrowings, and reduce risk associated with short-term debt maturities. The bond portfolio remains well diversified, with a higher proportion of long-term fixed rate debt providing stability.

The chart below depicts CommonSpirit's debt mix as of June 30, 2021, as compared to June 30, 2020:



Strategic Focus and Priorities

CommonSpirit's vision of "a healthier future for all – inspired by faith, driven by innovation, and powered by our humanity" is embodied by the goal to transform health care in the United States by committing to building healthier communities, advocating for those who are poor and vulnerable, and innovating how and where healing can happen in order to extend care beyond traditional settings. The COVID-19 pandemic presents a range of challenges to meeting these goals, and management is focused on both near-term priorities to serve its patients and communities and protect its caregivers and other employees, as well as on longer-term strategic goals. The organization is embracing the challenge of the COVID-19 pandemic and, where appropriate, accelerating care transformation strategies to meet the needs of its communities.

CommonSpirit's strategic vision encompasses five transformative strategies: (1) advocate for healthy populations; (2) coordinate and customize care; (3) address unique needs of the communities it serves; (4) enhance consumer engagement; and (5) inspire the CommonSpirit workforce. These strategies were translated by Lloyd Dean, CommonSpirit's CEO, into seven organizational imperatives that describe both strategic goals and near-term priorities. These imperatives, and recent progress in specific areas, are described below:

Mission-Driven Outreach: CommonSpirit will use its voice and continue to focus resources on the social determinants of health, particularly related to the needs of vulnerable populations and social justice issues. The disproportionate impact of the COVID-19 pandemic on communities of color, low-income communities and on those with complex health conditions highlights the urgency of this work. Some initiatives currently underway include:

- Innovative models and high-value community interventions to address health inequities in our communities through partnerships that promote access to care and address social determinants of health, and to improve health outcomes particularly for vulnerable communities. Homeless Health Initiative ("HHI") is a System-wide strategy to address homelessness and related needs across the CommonSpirit footprint. HHI is focused on co-locating, coordinating and integrating health, behavioral health, safety and wellness services with housing and other social services, and creating better resources for providers to connect individuals to these services.
- CommonSpirit is addressing food insecurity by developing a System-wide strategy that builds on current partnerships in its communities and developing new collaborations to respond to the heightened need for access to food brought on by the COVID-19 pandemic. Through a multi-disciplinary approach, CommonSpirit's goal is to establish a standardized framework and set of best practices that can be adopted System-wide that responds to the full continuum of food needs in communities.
- The Community Investment Program provides access to capital, including below-market loans to community-based organizations focused on addressing social determinants of health. The program partners with organizations and channels financial resources to support access to jobs, safeguard the environment, access to capital, housing, food, education, and health care to help improve the health and health equity for people in low-income communities. During fiscal year 2021, CommonSpirit approved new loans totaling $33.7 million to community based organizations.

Consumer-Focused Integrated Care: CommonSpirit will work to win consumers' trust and confidence through reliable, safe and personalized care experiences. In particular, CommonSpirit will offer a coordinated, systemic and customizable approach to serve those with acute, chronic and complex conditions.

- CommonSpirit rapidly expanded and scaled a range of virtual care options as a means to meet the care needs of its patients. Virtual care, through video visits, online health assessments, pre-visit screening, and other means, has become increasingly critical as a convenient, accessible means to care for communities.
- CommonSpirit continues to focus on other non-hospital based services, to serve patients in the most appropriate, lowest cost settings and to protect patients at a time when disease transmission is of particular concern. For example, CommonSpirit Health at Home ("Health at Home") offers remote patient monitoring across its 41 locations in 13 states. For the year ended June 30, 2021, Health at Home has remotely monitored 6,185 patients and has deployed use of secure video technology across CommonSpirit's footprint to remotely provide nursing, therapy, and medical social services for a total of 40,162 virtual

visits. Additionally, Health at Home implemented a medication delivery program in April 2020, and as of June 30, 2021, had served over 4,760 patients.

- CommonSpirit successfully launched "SNF at Home", a clinical program in Nebraska, providing skilled home care, remote monitoring, advanced practice interventions, and ancillary services into one ecosystem to keep skilled nursing facility patients at home for a reduced post-acute care cost, and reduced hospital length of stay. The long-term goal is to create a new payment methodology for this level of care with individual payors.
- Palliative care has also implemented virtual consults to allow greater access to patients during the pandemic, and work toward the appropriate post-acute care destination for patients.

Integrated Digital Services, Capabilities and Analytics: CommonSpirit is strategically investing in digital capabilities to enhance the patient experience and improve operational effectiveness.

- CommonSpirit believes a range of digital interactions and virtual care will be an increasingly important component of care delivery and consumer engagement. CommonSpirit has partnered with the Physician Enterprise to extend virtual health services to new specialties beyond just family and internal medicine. Since March 2020, this collaboration has resulted in the delivery of more than 1.7 million virtual ambulatory visits. Additionally, to this end, CommonSpirit has distributed more than 10,000 pieces of equipment to help providers deliver care virtually and build up network and software infrastructure to enable virtual health. A System-wide help desk was also established for providers to expedite resolution of questions and targeted troubleshooting. We have also recently launched an enterprise-wide cross-functional initiative called Digital 1.0 to uplift existing integrated digital front door solutions, such as Search and Schedule, and introduce new digital capabilities to the organization, such as Virtual Registration and Virtual Health on Demand.
- Strategic planning efforts are being accelerated in virtual care modalities – from virtual visits to virtual ICU, health at home, palliative care, remote patient monitoring, and other applications – as CommonSpirit considers the long-term implications on service delivery of the COVID-19 pandemic and the potential long-term behavioral and cultural changes that may result.

Diversified Growth: Growth remains a long-term focus for CommonSpirit. Complementing CommonSpirit's care continuum, from virtual and primary care to acute, post-acute and in-home services, the System seeks to further diversify from a service line, access point, and revenue perspective through selected investments and partnerships. The System is frequently in dialogue with potential partners, building upon its successful track record in diversified investments and partnerships. During fiscal year 2021, CommonSpirit identified and implemented joint ventures in ambulatory imaging offerings, women's primary care, post-acute services, and an innovative new data platform that will deliver personalized medicine, advance health equity and empower the health community with insights on how to best treat patients. In addition, CommonSpirit enhanced its delivery network through market infill in Arizona through the affiliation with Yavapai Regional Medical Center and the Pacific Northwest with the formation of Virginia Mason Franciscan Health System.

One Inspired Team: CommonSpirit's employees and clinicians form the core of its mission delivery. CommonSpirit seeks to attract, retain and inspire leaders and caregivers who reflect its strategic vision and values. Now more than ever, CommonSpirit's caregivers and other employees are called upon to make sacrifices to care for its communities and ministry. CommonSpirit is focused on honoring its employees and celebrating the heroes that serve its patients at this time. CommonSpirit has taken a range of actions specifically to support employees during the pandemic, including: staff recruitment and resource procurement programs (i.e., redeployments, traveler staff and reemployment actions of retirees), flexible work arrangements through union leadership discussions, direct and indirect caregiver support, remote work and flex scheduling, Employee Assistance Program deployment and staff well-being programming.

At Scale Operational Excellence: CommonSpirit continues to focus on operational efficiencies, which are even more important in the face of disruption in service delivery related to the COVID-19 pandemic. Optimizing capital deployment is also a key area of focus.

- As an example, CommonSpirit's CRISIS dashboard continues to be an important tool that utilizes enterprise-wide data to track, on a daily basis, a range of operational and clinical data to effectively manage resources across the System to meet the rapidly changing demands of the COVID-19 pandemic and vaccine distribution efforts.

- The organization is similarly aligned on a set of Enterprise Metrics, a balanced scorecard that includes clinical quality, patient satisfaction, growth, financial performance, community benefit and other measures. Enterprise Metrics are set each year and reported to the Board on a quarterly basis. For the fiscal year ended June 30, 2021, CommonSpirit met or exceeded 10 of our 13 metrics.

Effective Financial Stewardship: Part of the vision for CommonSpirit is to create an efficient, financially stable platform in order to sustain its mission and ministry into the future. Effective financial stewardship is even more critical as the health care industry addresses the challenges of the COVID-19 pandemic and related economic pressures. CommonSpirit has reopened all facilities and services safely across its footprint, and returning to pre-COVID-19 pandemic service levels has been a near-term priority. The organization also remains focused on managing financial performance and pursuing its path toward longer-term financial performance goals.

Integration and Synergy Realization: Despite the ongoing nature of the COVID-19 pandemic, management continues to make progress towards its original long-term financial goals for CommonSpirit, including achieving an 8% operating EBITDA margin, maintaining days' cash on hand of at least 150 days, and lowering total debt to capitalization to 45% or less. To support these long-term financial goals, CommonSpirit identified approximately $2 billion in merger-related synergies and performance excellence initiatives to be achieved over a multiyear time frame. While full realization of synergies and operating improvements may be delayed beyond the initial 2023 goal due to operating disruption from the COVID-19 pandemic, leadership has affirmed these goals as a priority for the System.

Building on the results achieved in fiscal year 2020, management established a goal of $350-$400 million for fiscal year 2021. For the twelve-month period ended June 30, 2021, CommonSpirit surpassed its annual synergy goal of $400 million toward the $2 billion goal in merger-related and performance excellence initiatives. Fiscal year 2021 initiatives include the acceleration of areas, such as corporate labor reductions and consolidation of corporate and other real estate assets, as well as ongoing consolidation and insourcing in areas, such as human resources, information technology, and revenue cycle. Operational best practice work is focused on supply chain (optimization of the single group purchasing organization), labor productivity, pharmacy, clinical engineering, revenue cycle and ancillary services. The Physician Enterprise exceeded expectations driven by the rapid pivot to virtual care, and labor productivity benefited from increased productivity due to higher volume levels. In addition, the debt financing transactions, which closed in August 2019 and October 2020, produced additional net present value and cash flow savings, which were not included on the fiscal year 2020 or fiscal year 2021 synergy goals.

The organization reorganized its division structure, transitioning from 13 to 9 operating divisions in January 2021 in an effort to standardize best practices, more quickly scale new programs, and recognize operational efficiencies across the organization. As volumes have returned to pre-pandemic levels, management teams are focused on core operational activities regarding productivity, length of stay, supply chain optimization, and revenue cycle performance. Additional integration work that could potentially streamline the System and contribute to long-term sustainability includes a strategic portfolio assessment that is currently ongoing at the leadership and Board level.

Exhibit I

Consolidated Financial Statements as of and for the Years Ended June 30, 2021 and 2020
With Report of Independent Auditors

(ATTACHED)

COMMONSPIRIT HEALTH

Consolidated Financial Statements as of
and for the Years Ended June 30, 2021 and 2020
With Report of Independent Auditors

COMMONSPIRIT HEALTH

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Report of Independent Auditors

The Board of Stewardship Trustees
CommonSpirit Health

We have audited the accompanying consolidated financial statements of CommonSpirit Health, 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 CommonSpirit Health as of 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 17, 2021

COMMONSPIRIT HEALTH

CONSOLIDATED BALANCE SHEETS
JUNE 30, 2021 AND 2020 (in millions)

Assets	2021	2020
Current assets:		
Cash and cash equivalents	$ 3,329	$ 5,927
Short-term investments	1,124	233
Patient accounts receivable, net	4,323	3,581
Provider fee receivable	1,151	1,142
Other current assets	2,712	1,822
Total current assets	12,639	12,705
Long-term investments	19,480	12,269
Property and equipment, net	16,002	15,233
Right-of-use operating lease assets	1,863	1,828
Ownership interest in health-related activities	3,107	3,188
Other long-term assets, net	1,785	1,550
Total assets	$ 54,876	$ 46,773

(Continued)

COMMONSPIRIT HEALTH

CONSOLIDATED BALANCE SHEETS
JUNE 30, 2021 AND 2020 (in millions)

Liabilities and Net Assets	2021	2020
Current liabilities:		
Current portion of long-term debt	$ 754	$ 1,079
Demand bonds subject to short-term liquidity arrangements	247	821
Accounts payable	1,705	1,436
Accrued salaries and benefits	1,994	1,460
Provider fee payable	405	421
Medicare advances	1,422	2,646
Other accrued liabilities - current	2,984	2,513
Total current liabilities	9,511	10,376
Other liabilities - long-term:		
Self-insured reserves and claims	1,024	1,129
Pension and other postretirement benefit liabilities	3,761	5,553
Derivative instruments	287	277
Operating lease liabilities	1,750	1,701
Medicare advances - long-term	1,088	-
Other accrued liabilities - long-term	1,017	1,002
Total other liabilities - long-term	8,927	9,662
Long-term debt, net of current portion	14,540	13,140
Total liabilities	32,978	33,178
Net assets:		
Without donor restrictions - attributable to CommonSpirit Health	19,646	12,317
Without donor restrictions - noncontrolling interests	1,187	419
With donor restrictions	1,065	859
Total net assets	21,898	13,595
Total liabilities and net assets	$ 54,876	$ 46,773

See notes to consolidated financial statements.

COMMONSPIRIT HEALTH

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2021 AND 2020 (in millions)

	2021	2020
Operating revenues:		
Net patient revenue	$ 28,996	$ 26,207
Premium revenue	1,189	1,158
Revenue from health-related activities, net	314	99
Other operating revenue	2,690	2,053
Contributions	64	62
Total operating revenues	33,253	29,579
Operating expenses:		
Salaries and benefits	16,006	14,653
Supplies	5,086	4,515
Purchased services and other	9,225	8,975
Depreciation and amortization	1,487	1,530
Interest expense, net	451	456
Total operating expenses	32,255	30,129
Operating income (loss)	998	(550)
Nonoperating income (loss):		
Investment income, net	3,399	273
Loss on early extinguishment of debt	(12)	(110)
Income tax expense	(139)	(50)
Change in fair value and cash payments of interest rate swaps	86	(219)
Contribution from business combination	1,018	54
Other components of net periodic postretirement costs	86	100
Other	14	(22)
Total nonoperating income, net	4,452	26
Excess (deficit) of revenues over expenses	$ 5,450	$ (524)
Less excess of revenues over expenses attributable to noncontrolling interests	261	27
Excess (deficit) of revenues over expenses attributable to CommonSpirit Health	$ 5,189	$ (551)

(Continued)

COMMONSPIRIT HEALTH

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2021 AND 2020 (in millions)

	Without Donor Restrictions			
	Attributable to CommonSpirit Health	**Noncontrolling Interests**	**With Donor Restrictions**	**Total Net Assets**
Balance, June 30, 2019	$ 14,428	$ 486	$ 877	$15,791
Excess (deficit) of revenue over expenses	(551)	27	-	(524)
Change in accounting principle	152	-	-	152
Contributions	-	-	96	96
Net assets released from restrictions for capital	49	-	(49)	-
Net assets released from restrictions for operations and other	-	-	(45)	(45)
Change in funded status of pension and other postretirement benefit plans	(1,668)	-	-	(1,668)
Loss from discontinued operations, net	(182)	-	-	(182)
Other	89	(94)	(20)	(25)
Decrease in net assets	(2,111)	(67)	(18)	(2,196)
Balance, June 30, 2020	$ 12,317	$ 419	$ 859	$13,595
Excess of revenue over expenses	5,189	261	-	5,450
Contributions	-	-	106	106
Contribution from business combination	-	573	78	651
Net assets released from restrictions for capital	37	-	(37)	-
Net assets released from restrictions for operations and other	-	-	(50)	(50)
Change in funded status of pension and other postretirement benefit plans	2,019	-	-	2,019
Other	84	(66)	109	127
Increase in net assets	7,329	768	206	8,303
Balance, June 30, 2021	$ 19,646	$ 1,187	$ 1,065	$21,898

See notes to consolidated financial statements.

COMMONSPIRIT HEALTH

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020 (in millions)

	2021	2020
Cash flows from operating activities:		
Change in net assets	$ 8,303	$ (2,196)
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities:		
Loss on early extinguishment of debt	12	110
Depreciation and amortization	1,487	1,530
Changes in equity of health-related entities	(345)	(100)
Contribution from business combination	(1,018)	(54)
Net assets related to business combination	(78)	-
Noncash special charges and other	49	10
Net (gain) loss on sales of facilities and investments in unconsolidated organizations	(69)	75
Noncash impact of change in accounting principle	-	(152)
Change in fair value of swaps	(158)	174
Change in funded status of pension and other postretirement benefit plans	(2,019)	1,668
Pension cash contributions	(139)	(22)
Changes in certain assets and liabilities:		
Accounts receivable, net	(540)	156
Accounts payable	178	10
Self-insured reserves and claims	(73)	53
Accrued salaries and benefits	430	76
Changes in broker receivables/payables for unsettled investment trades	63	(9)
Provider fee assets and liabilities	(24)	(94)
Other accrued liabilities	(144)	377
Medicare advances	(137)	2,646
Prepaid and other current assets	(162)	(238)
Other, net	(279)	175
Cash provided by operating activities before net change in investments	5,337	4,195
Net (increase) decrease in investments	(7,474)	213
Cash provided by (used in) operating activities	(2,137)	4,408

(Continued)

COMMONSPIRIT HEALTH

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020 (in millions)

	2021	2020
Cash flows from investing activities:		
Purchases of property and equipment	$ (1,497)	$ (1,286)
Investments in health-related activities	(174)	(167)
Business acquisitions, net of cash acquired	382	(12)
Proceeds from asset sales	918	218
Cash distributions from health-related activities	271	102
Other, net	(167)	(53)
Cash used in investing activities	(267)	(1,198)
Cash flows from financing activities:		
Borrowings	2,347	9,032
Repayments	(2,585)	(7,607)
Loss on early extinguishment of debt	(12)	(110)
Swaps cash collateral posted	104	(112)
Distributions to noncontrolling interests	(76)	(55)
Contribution by noncontrolling interests	28	-
Cash provided by (used in) financing activities	(194)	1,148
Net increase (decrease) in cash and cash equivalents	(2,598)	4,358
Cash and cash equivalents at beginning of year	5,927	1,569
Cash and cash equivalents at end of year	$ 3,329	$ 5,927
Supplemental disclosures of cash flow information:		
Cash paid for interest, net of capitalized interest	$ 445	$ 429
Supplemental schedule of noncash investing and financing activities:		
Property and equipment acquired through capital lease or note payable	$ 181	$ 91
Investments in health-related activities	$ 146	$ 92
Accrued purchases of property and equipment	$ 151	$ 105

See notes to consolidated financial statements.

1. ORGANIZATION

CommonSpirit Health is a Colorado nonprofit public benefit corporation exempt from federal and state income taxes. CommonSpirit Health was created by the alignment of Catholic Health Initiatives ("CHI") and Dignity Health in February 2019. CommonSpirit Health is a Catholic health care system sponsored by the public juridic person, Catholic Health Care Federation ("CHCF").

CommonSpirit Health owns and operates health care facilities in 21 states and is the sole corporate member (parent corporation) of other primarily nonprofit corporations that are exempt from federal and state income taxes. CommonSpirit Health is comprised of more than 1,500 care sites, consisting of 140 hospitals, including academic health centers, major teaching hospitals, and critical access facilities, community health services organizations, accredited nursing colleges, home health agencies, living communities, a medical foundation and other affiliated medical groups, and other facilities and services that span the inpatient and outpatient continuum of care. CommonSpirit Health also has offshore and onshore captive insurance companies. The accompanying consolidated financial statements include CommonSpirit Health and its direct affiliates and subsidiaries (together, "CommonSpirit").

CommonSpirit Health and substantially all of its direct affiliates and subsidiaries have been granted exemptions from federal income tax as charitable organizations under Section 501(c)(3) of the Internal Revenue Code.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The accompanying consolidated financial statements of CommonSpirit were prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and include the accounts of all wholly-owned affiliates and affiliates over which CommonSpirit exercises control or has a controlling financial interest, after elimination of intercompany transactions and balances.

Reclassifications – Certain reclassifications and changes in presentation were made in the 2020 consolidated financial statements to conform to the 2021 presentation. As previously presented, CommonSpirit included goodwill, intangible assets, net, certain line items within current assets and other current liabilities, and special charges in separate financial statement lines. These changes in presentation were made in part to combine balances that are not significant as single line items in the consolidated financial statements.

Also, certain short-term investments have been reclassified to long-term investments or cash and cash equivalents, and assets limited as to use, current and long-term, have been reclassified within short-term and long-term investments. CommonSpirit has continued its ongoing integration efforts related to the affiliation between Dignity Health and CHI, including the consolidation of its investments into the CommonSpirit Health Operating Investment Pool, LLC ("CSH OIP") in October 2020. In conjunction with this integration, CommonSpirit reassessed their financial statement presentation method regarding the classification of the underlying investments as short-term and long-term within the consolidated balance sheet and consolidated statement of cash flow. The change was made to include financial assets as defined below as short-term investments. All other investments were classified as long-term. The change in presentation is reflected within the consolidated financial statements.

A crosswalk of the 2020 consolidated financial statement presentation to the 2021 presentation for applicable lines is provided below (in millions):

	As Originally Presented	Reclassifications	As Adjusted
Assets			
Cash and cash equivalents	$ 5,674	$ 253	$ 5,927
Short-term investments	2,715	(2,482)	233
Current portion of assets limited as to use	1,172	(1,172)	-
Broker receivables for unsettled investment trades	199	(199)	-
Other current assets	1,622	200	1,822
Long-term investments	-	12,269	12,269
Assets limited as to use:			
Capital projects	7,393	(7,393)	-
Held for self-insured claims	1,557	(1,557)	-
Under bond indenture agreements for debt service	19	(19)	-
Donor-restricted	861	(861)	-
Other	597	(597)	-
Less amounts required to meet current obligations	(1,172)	1,172	-
Goodwill	274	(274)	-
Intangible assets, net	700	(700)	-
Other long-term assets, net	190	1,360	1,550
Total assets	$ 21,801	$ -	$ 21,801
Liabilities			
Self-insured reserves and claims	407	(407)	-
Broker payables for unsettled investment trades	302	(302)	-
Operating lease liabilities	274	(274)	-
Medicare advances	-	2,646	2,646
Other accrued liabilities - current	4,176	(1,663)	2,513
Total liabilities	$ 5,159	$ -	$ 5,159
Operating Expenses			
Purchased services and other	8,886	89	8,975
Special charges and other costs	89	(89)	-
Total operating expenses	$ 8,975	$ -	$ 8,975

These reclassifications did not have any impact on net assets or changes in net assets.

Use of Estimates – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. CommonSpirit considers critical accounting policies to be those that require more significant judgments and estimates in the preparation of its consolidated financial statements, including the following: recognition of net patient revenue, which includes contractual discounts and adjustments; price concessions and charity care; fair value of acquired assets and assumed liabilities in business combinations; recorded values of depreciable and amortizable assets, investments and goodwill; reserves for self-insured workers' compensation and professional and general liabilities; contingent liabilities; and assumptions for measurement of pension and other postretirement benefit liabilities. Management bases its estimates on historical experience and various other assumptions that it believes are reasonable under the particular circumstances. Actual results could differ from those estimates.

Cash and Cash Equivalents – Cash and cash equivalents consist primarily of cash and liquid marketable securities with an original maturity of three months or less.

Inventories – Inventories, primarily consisting of pharmacy drugs and medical and surgical supplies, are stated at the lower of cost or net realizable value, determined using the first-in, first-out method. Inventories are recorded in other current assets in the accompanying consolidated balance sheets.

Broker Receivables and Payables for Unsettled Investment Trades – CommonSpirit accounts for its investments on a trade date basis. Amounts due to/from brokers for investment activity represent transactions that have been initiated prior to the consolidated balance sheet date, but are formally settled subsequent to the consolidated balance sheet date. These balances are recorded within other current assets and other accrued liabilities - current, respectively. See Notes 6 and 12.

Assets and Liabilities Held for Sale – Assets and liabilities held for sale represent assets and liabilities that are expected to be sold within one year. A group of assets and liabilities expected to be sold within one year is classified as held for sale if it meets certain criteria. The assets and liabilities held for sale are measured at the lower of carrying value or fair value less cost to sell. Such valuations include estimates of fair values generally based upon firm offers, discounted cash flows and incremental direct costs to transact a sale (Level 2 and Level 3 inputs). These balances are recorded within other current assets and other accrued liabilities - current, respectively. See Notes 6 and 12.

Investments and Investment Income – Short-term investments consist of investments with an original maturity of more than three months up to one year. Long-term investments consist of investments with original maturities greater than one year.

The CommonSpirit Board of Stewardship Trustees Investment Committee establishes guidelines for investment decisions. Within those guidelines, CommonSpirit invests in equity and debt securities which are measured at fair value and are classified as trading securities. Accordingly, unrealized gains and losses on marketable securities are recorded within excess (deficit) of revenues over expenses in the accompanying consolidated statements of operations and changes in net assets, and cash flows from the purchases and sales of marketable securities are reported as a component of operating activities in the accompanying consolidated statements of cash flows.

CommonSpirit also invests in alternative investments through limited partnerships. Alternative investments are comprised of private equity, real estate, hedge fund and other investment vehicles. CommonSpirit receives a proportionate share of the investment gains and losses of the partnerships. The limited partnerships generally contract with managers who have full discretionary authority over the investment decisions, within CommonSpirit's guidelines. These alternative investment vehicles invest in equity securities, fixed income securities, currencies, real estate, commodities, and derivatives.

CommonSpirit accounts for its ownership interests in these alternative investments under the equity method, the value of which is based on the net asset value ("NAV") practical expedient and is determined using investment valuations provided by the external investment managers, fund managers or general partners.

Alternative investments generally are not marketable, and many alternative investments have underlying investments that may not have quoted market values. The estimated value of such investments is subject to uncertainty and could differ had a ready market existed. Such differences could be material. CommonSpirit's risk is limited to its capital investment in each investment and capital call commitments as discussed in Note 8.

Investment income or loss is included in excess (deficit) of revenues over expenses unless the income or loss is restricted by donor or law. Income earned on tax-exempt borrowings for specific construction projects is offset against interest expense capitalized for such projects during construction.

Also recorded in investments are assets limited as to use set aside by CommonSpirit for future long-term purposes, including amounts held by trustees under bond indenture agreements, funds set aside for self-insurance programs, amounts contributed by donors with stipulated restrictions, and amounts held for mission and ministry purposes.

Liquidity – Cash and cash equivalents, short-term investments, patient and other accounts receivable, broker receivables, and provider fee receivables are the financial assets available to meet expected expenditure needs within the next year. Additionally, although intended to satisfy long-term obligations, management estimates that approximately 85.3% of the CSH OIP, as stated at June 30, 2021, could be utilized within the next year, if needed. CommonSpirit also has credit facility programs, as described in Note 13, available to meet unanticipated liquidity needs.

Deferred Financing Costs and Original Issue Discounts/Premiums on Bond Indebtedness – CommonSpirit amortizes deferred financing costs and original issue discounts/premiums on bond indebtedness over the estimated average period the related bonds will be outstanding, which approximates the effective interest method. Both deferred financing costs and original issue discounts/premiums are recorded with the related debt.

Property and Equipment – Property and equipment are stated at cost if purchased and at fair market value upon receipt if acquired through a business combination or donated, or upon the date of impairment, if impaired. Depreciation of property and equipment is recorded using the straight-line method. Amortization of finance lease assets is included in depreciation expense. Estimated useful lives by major classification are as follows:

Land improvements	2 to 40 years
Buildings and improvements	5 to 40 years
Equipment	3 to 20 years
Software	3 to 10 years

Asset Impairment – CommonSpirit routinely evaluates the carrying value of its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset, or related group of assets, may not be recoverable from estimated future undiscounted cash flows generated by the underlying tangible assets. When the carrying value of an asset exceeds the estimated recoverability, an asset impairment charge is recognized. The impairment tests are based on financial projections prepared by management that incorporate anticipated results from programs and initiatives being implemented and market value assessments of the assets. If these projections are not met, or if negative trends occur that impact the future outlook, the value of the long-lived assets may be impaired.

Goodwill and indefinite-lived intangible assets are tested for impairment annually on various dates and when an event or circumstance indicates the value of the reporting unit or intangible asset may be impaired. CommonSpirit uses the income and market approaches to estimate the fair value of its reporting units and uses the income approach to estimate the fair value of its indefinite-lived intangible assets. If the carrying value exceeds the fair value, an impairment charge is recognized. See Note 11.

Fair Value of Financial Instruments – The carrying amounts reported in the accompanying consolidated balance sheets for assets and liabilities, such as cash and cash equivalents, patient accounts receivable, interests in unconsolidated foundations, excess insurance receivables, community investment loans, broker receivables and payables on unsettled investment trades, accounts payable, and accrued expenses approximate fair value due to the nature of these items. The fair value of investments is disclosed in Note 8.

Derivative Instruments – CommonSpirit utilizes derivative arrangements to manage interest costs and the risk associated with changing interest rates. CommonSpirit records derivative instruments on the accompanying consolidated balance sheets as either an asset or liability measured at its fair value. See Notes 8 and 14.

CommonSpirit does not have derivative instruments that are designated as hedges. Interest cost and changes in fair value of derivative instruments are included in change in fair value and cash payments of interest rate swaps in nonoperating income, net, in the accompanying consolidated statements of operations and changes in net assets.

Ownership Interests in Health-Related Activities – Generally, when the ownership interest in a health-related activity is more than 50% and CommonSpirit has a controlling interest, the ownership interest is consolidated, and a noncontrolling interest is recorded in net assets without donor restrictions. When the ownership interest is at least 20%, but not more than 50%, or CommonSpirit has the ability to exercise significant influence over operating and financial policies of the investee, it is accounted for under the equity method, and the income or loss is reflected in revenue from health-related activities, net. Ownership interests for which CommonSpirit's ownership is less than 20% or for which CommonSpirit does not have the ability to exercise significant influence are measured either at fair value or under the measurement alternative. See Note 10.

Self-Insurance Plans – The liability for self-insured reserves and claims represents the estimated ultimate net cost of all reported and unreported losses incurred through June 30. Actuarial estimates of uninsured losses at June 30, 2021 and 2020, have been accrued as liabilities and include an actuarial estimate for claims incurred but not reported ("IBNR"). CommonSpirit has insurance coverage in place for amounts in excess of the self-insured retention for workers' compensation and professional and general liabilities. The current and long-term portions of these liabilities are reflected accordingly in other accrued liabilities - current and other accrued liabilities - long-term in the accompanying consolidated balance sheets.

CommonSpirit is also self-insured for certain employee medical benefits. The liability for IBNR claims for these benefits is included in other accrued liabilities - current in the accompanying consolidated balance sheets.

Patient Accounts Receivable and Net Patient Revenue – Patient service revenue is reported at the amounts that reflect the consideration CommonSpirit expects to be paid in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others, and include consideration for retroactive revenue adjustments due to settlement of audits and reviews. Generally, performance obligations for patients receiving inpatient acute care services and outpatient services are recognized over time as services are provided. Net patient revenue is primarily comprised of hospital and physician services.

Performance obligations are generally satisfied over a period of less than one year. As such, CommonSpirit has elected to apply the optional exemption provided in Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2015-14, *Revenue From Contracts with Customers (Topic 606)*, and is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

CommonSpirit determines the transaction price based on standard charges for services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured and underinsured patients in accordance with CommonSpirit's financial assistance policy, and implicit price concessions provided to uninsured and underinsured patients. CommonSpirit determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policy, and historical experience. CommonSpirit determines its estimate of implicit price concessions based on its historical collection experience with these classes of patients using a portfolio approach as a practical expedient to account for patient contracts as collective groups rather than individually. CommonSpirit relies on the results of detailed reviews of historical write-offs and collections in estimating the collectability of accounts receivable. Updates to the hindsight analysis are performed at least quarterly using primarily a rolling eighteen-month collection history and write-off data. Subsequent changes to estimates of the transaction price are generally recorded as adjustments to net patient revenue in the period of the change.

Subsequent changes that are determined to be the result of an adverse change in a third-party payor's ability to pay are recorded as bad debt expense in purchased services and other in the accompanying consolidated statements of operations and changes in net assets. Bad debt expense for 2021 and 2020 was not significant.

Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements included in net patient revenue follows:

Medicare: Payments for inpatient services are generally made on a prospectively determined rate based on clinical diagnosis. Certain facilities receive cost-based reimbursement. Hospital outpatient services are generally paid based on prospectively determined rates. Physician services are paid based upon established fee schedules.

Medicaid: Payments for inpatient services are generally made on a prospectively determined rate based on clinical diagnosis or on a per case or per diem basis. Hospital outpatient services and physician services are paid based upon established fee schedules, a cost basis reimbursement methodology, or discounts from established charges.

Commercial: Payments for inpatient and outpatient services provided to patients covered under commercial insurance policies are paid using a variety of payment methodologies, including per diem and case rates.

Self-Pay and Other: Payment agreements with uninsured or underinsured patients, along with other responsible entities, including institutions, other hospitals and other government payors, are based on a variety of payment methodologies.

Net patient revenue includes estimated settlements under payment agreements with third-party payors. Settlements with third-party payors are accrued on an estimated basis in the period in which the related services are rendered and adjusted in future periods as final settlements are determined. These settlements are estimated and evaluated based on the terms of the payment agreement with the payor, correspondence from the payor, and historical settlement activity.

Premium Revenue – CommonSpirit has at-risk agreements with various payors to provide medical services to enrollees. Under these agreements, CommonSpirit receives monthly payments based on the number of enrollees, regardless of services actually performed by CommonSpirit. CommonSpirit accrues costs when services are rendered under these contracts, including estimates of IBNR claims and amounts receivable/payable under risk-sharing arrangements. The IBNR accrual includes an estimate of the costs of services for which CommonSpirit is responsible, including out-of-network services, and is recorded in other accrued liabilities - current.

Financial Assistance (Charity Care) – Charity care is free or discounted health services provided to persons who cannot afford to pay and who meet CommonSpirit's criteria for financial assistance. The amount of services written off as charity quantified at customary charges was $2.0 billion and $2.1 billion for 2021 and 2020, respectively. CommonSpirit estimates the cost of charity care by calculating a ratio of cost to usual and customary charges and applying that ratio to the usual and customary uncompensated charges associated with providing care to patients who qualify for charity care. This amount is not included in net patient revenue in the accompanying consolidated statements of operations and changes in net assets. The estimated cost of charity care associated with write-offs in 2021 and 2020 was $507 million and $447 million, respectively. See Note 20.

Other Operating Revenue – Other operating revenue includes grant revenues, including funds received from the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), retail pharmacy revenues, management services revenues, rental revenues, cafeteria revenues, certain contributions released from restrictions, gains on sales of assets and joint venture interests, and other nonpatient care revenues. See Note 4.

Contributions and Net Assets With Donor Restrictions – Gifts are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is met, net assets with donor restrictions related to capital purchases are reclassified as net assets without donor restrictions and reflected as net assets released from restrictions used for the purchase of property and equipment in the accompanying consolidated statements of operations and changes in net assets, whereas net assets with donor restrictions related to other gifts are reclassified as net assets without restrictions and recorded as other operating revenue. Gifts received with no restrictions are recorded as contributions in operating revenues. Gifts of long-lived operating assets, such as property and equipment, are reported as additions to net assets without donor restrictions, unless otherwise specified by the donor.

Unconditional promises to give cash and other assets to CommonSpirit are recorded at fair value at the date the promise is received using a discount rate based on the U.S. Treasury yield rates and are generally due within five years. Conditional promises to give are recorded when the conditions have been substantially met. Donor indications of intentions to give are not recorded; such gifts are recorded at fair value only upon actual receipt of the gift. Investment income on net assets with donor restrictions is classified pursuant to the intent or requirement of the donor.

Endowment assets, which are primarily to be used for equipment and expansion, research and education, or charity purposes, include donor-restricted funds that CommonSpirit must hold in perpetuity or for a donor-specified period. Donor-restricted endowment net assets totaled $1.1 billion and $859 million in 2021 and 2020, respectively. Changes in endowment net assets primarily relate to investment returns, contributions, and appropriations for expenditures. CommonSpirit preserves the fair value of these gifts as of the date of donation unless otherwise stipulated by the donor. Donor-restricted endowment funds are classified as net assets with donor restrictions until those amounts are appropriated for expenditure. CommonSpirit considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the organization and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effects of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of CommonSpirit, and (7) the investment policies of CommonSpirit.

CommonSpirit has investment and spending policies for endowment assets designed to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets.

Endowment assets are invested in a manner that is intended to produce results that achieve the respective benchmark while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount. To satisfy its long-term rate-of-return objectives, CommonSpirit relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). CommonSpirit targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

Community Benefits – As part of its mission, CommonSpirit provides services to the poor and benefits for the broader community. The costs incurred to provide such services are included in excess (deficit) of revenues over expenses in the accompanying consolidated statements of operations and changes in net assets. CommonSpirit prepares a summary of unsponsored community benefit expense in accordance with Internal Revenue Service Form 990, Schedule H, and the Catholic Health Association of the United States ("CHA") publication, *A Guide for Planning and Reporting Community Benefit*. See Note 20.

Interest Expense – Interest expense on debt issued for construction projects is capitalized until the projects are placed in service. Interest expense, net, includes interest and fees on debt, net of these capitalized amounts. See Note 16.

Income Taxes – CommonSpirit has established its status as an organization exempt from income taxes under Internal Revenue Code Section 501(c)(3) and the laws of the states in which it operates, and as such, is generally not subject to federal or state income taxes. However, CommonSpirit's exempt organizations are subject to income taxes on net income derived from a trade or business, regularly carried on, which does not further CommonSpirit's exempt purposes. No significant income tax provision has been recorded in the accompanying consolidated financial statements for net income derived from an unrelated trade or business.

CommonSpirit's for-profit subsidiaries account for income taxes related to its operations. The for-profit subsidiaries recognize deferred tax assets and liabilities for temporary differences between the financial reporting basis and the tax basis of their assets and liabilities, along with net operating loss and tax credit carryovers, for tax positions that meet the more-likely-than-not recognition criteria. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

Income tax interest and penalties are recorded as income tax expense. For the years ended June 30, 2021 and 2020, CommonSpirit's taxable entities recorded an immaterial amount of interest and penalties as part of the provision for income taxes. CommonSpirit's taxable entities did not have any material unrecognized income tax expense as of June 30, 2021 and 2020. CommonSpirit reviews its tax positions quarterly and has determined that there are no material uncertain tax positions that require recognition in the accompanying consolidated financial statements.

Performance Indicator – Management considers excess (deficit) of revenues over expenses to be CommonSpirit's performance indicator. Excess (deficit) of revenues over expenses includes all changes in net assets without donor restrictions except for the effect of contributions with donor restrictions, contribution from business combination, changes in accounting principles, net assets released from restrictions used for purchase of capital and operations, change in funded status of pension and other postretirement benefit plans, gains and losses from discontinued operations, and other changes including change in ownership interests held by controlled subsidiaries and change in accumulated unrealized derivative gains and losses.

Operating and Nonoperating Activities – CommonSpirit's primary purpose is to provide a variety of health care-related activities, education and other benefits to the communities in which it operates. Activities directly related to the furtherance of this purpose are recorded as operating activities. Other activities outside of this mission are reported as nonoperating activities. Such activities include net investment income, loss on early extinguishment of debt, income tax expense, interest cost and changes in fair value of interest rate swaps, contributions from business combinations, other components of net periodic benefit costs, and the nonoperating component of Joint Operating Agreement ("JOA") income share adjustments.

Recent Accounting Pronouncements – In August 2018, the FASB issued ASU No. 2018-14, *Compensation – Retirement Benefits – Defined Benefit Plans – General (Subtopic 715-20) Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans*, which applies to employer sponsored defined benefit pension and other postretirement plans. The amendments modify, remove and add certain disclosure requirements. The guidance is effective for CommonSpirit for the annual period ended June 30, 2022. CommonSpirit is evaluating the effect on the consolidated financial statements.

***Subsequent Events* –** CommonSpirit has evaluated subsequent events occurring between the end of the most recent fiscal year and September 17, 2021, the date the consolidated financial statements were issued. See Note 14.

3. ACQUISITIONS, AFFILIATIONS AND DIVESTITURES

***College Station Medical Center* –** In August 2019, a consolidated subsidiary of CommonSpirit, St. Joseph Health in Texas, acquired the assets of College Station Medical Center ("CSMC"). CSMC includes a 167-bed hospital, is a licensed Level III Trauma center, and has accredited services, which include joint replacement, chest pain, stroke, and sleep specialty services. The transaction resulted in the recognition of a $35 million gain, recorded as contribution from business combination in nonoperating income (loss) in the accompanying consolidated statements of operations and changes in net assets, calculated as the fair value of the excess of identifiable assets acquired over liabilities assumed, determined based on Level 3 inputs, including estimated future cash flows and probability weighted performance assumptions.

***Jewish Hospital and St. Mary's Healthcare, Inc.* –** In November 2019, CommonSpirit completed its divestiture of Jewish Hospital and St. Mary's Healthcare, Inc. ("JHSMH") to the University of Louisville, which resulted in a total loss of $134 million, of which $127 million is reflected in loss from discontinued operations, net, in the accompanying consolidated statements of operations and changes in net assets, and $7 million is reflected in other operating revenue in the accompanying consolidated statements of operations and changes in net assets. Included in the loss and as part of the divestiture agreement, CommonSpirit committed to quarterly support payments to the University of Louisville over a four-year period, totaling $33 million. As of June 30, 2021, the remaining future commitment is $24 million, of which the current portion of $10 million is recorded in other accrued liabilities - current, and the long-term portion of $14 million is reflected in other accrued liabilities - long-term in the accompanying consolidated balance sheets.

CSH OIP – In April 2020, CommonSpirit formed the CSH OIP, a consolidated entity, and beginning in October 2020, the investment portfolios of Dignity Health and its related organizations and the assets of the CHI Operating Investment Program, L.P. (the "Program") were transferred to the CSH OIP. The formation of the CSH OIP included $573 million as a contribution from business combination for net assets attributable to non-controlling interests in the accompanying consolidated statements of operations and changes in net assets.

Yavapai Regional Medical Center – In November 2020, a consolidated affiliate of CommonSpirit, Dignity Community Care ("DCC"), and Yavapai Community Hospital Association, dba Yavapai Regional Medical Center ("YRMC"), an Arizona nonprofit corporation, effected a business combination which transferred the sole membership of YRMC and its applicable subsidiaries to DCC for no cash consideration. YRMC owns and operates two acute care hospitals, a regional wellness center, an imaging center, a network of primary and specialty physician clinics, and a fundraising foundation in the Prescott, Arizona area. The transaction resulted in the recognition of a $507 million gain, recorded as contribution from business combination in nonoperating income (loss) in the accompanying consolidated statements of operations and changes in net assets, and $5 million recorded as contribution from business combination for net assets with donor restrictions, calculated as the fair value of the excess of identifiable assets acquired over liabilities assumed, determined based on Level 3 inputs, including estimated future cash flows and probability-weighted performance assumptions.

Virginia Mason Health System – In January 2021, CommonSpirit formed a new integrated health system through the creation of a Joint Operating Company ("JOC"), Virginia Mason Franciscan Health ("VMFH"), a Washington nonprofit corporation, bringing together CommonSpirit Franciscan Health System and Virginia Mason Health System ("VMHS"). With the addition of an acute hospital and other care sites from VMHS, VMFH now operates eleven hospitals and nearly 300 sites of care within the Pacific Northwest. The JOC is a controlled subsidiary of CommonSpirit. Based on the terms of the JOC agreement, CommonSpirit will consolidate the operations of

VMHS and accounted for the business combination using the acquisition method of accounting. The agreement did not include consideration and resulted in the recognition of a $511 million gain recorded as contribution from business combination in nonoperating income (loss) in the accompanying consolidated statements of operations and changes in net assets, and $73 million recorded as contribution from business combination for net assets with donor restrictions, calculated as the fair value of the excess of identifiable assets acquired over liabilities assumed, determined based on Level 3 inputs, including estimated future cash flows and probability-weighted performance assumptions.

The following summarizes the fair value estimate of YRMC's and VMHS's assets acquired and liabilities assumed as of November 1, 2020, and January 1, 2021, respectively (in millions):

		YRMC		VMHS
Current assets	$	226	$	390
Long-term investments		124		429
Property and equipment, net		272		576
Other long-term assets, net		61		161
Current liabilities		(33)		(319)
Other liabilities - long-term		(7)		(180)
Long-term debt, net of current portion		(131)		(473)
Total contribution of net assets	$	512	$	584

In March 2021, CommonSpirit sold a portion of its investment in a joint venture resulting in a pretax gain of $523 million which is included in other operating revenue in the consolidated statements of operations and changes in net assets. Income tax expense of $93 million is recorded in nonoperating income (loss) related to the transaction. CommonSpirit will continue to account for its remaining interest in the joint venture under the equity method.

In May 2021, CommonSpirit entered into a nonbinding Memorandum of Understanding to negotiate a definitive agreement for the purchase of certain assets related to two acute care hospitals within CommonSpirit's existing footprint. A definitive agreement is expected to be completed by the end of calendar 2021.

Held for Sale - CommonSpirit is currently in discussions to negotiate a definitive affiliation agreement to transfer ownership of CommonSpirit's ministries in North Dakota and Minnesota to a third party. The CommonSpirit ministries in North Dakota and Minnesota include 13 critical access hospitals and one full service tertiary hospital, along with associated clinics and home health operations. The assets and liabilities are classified as held for sale, within other current assets and other accrued liabilities - current, respectively, in the accompanying consolidated balance sheets. See detailed summary below.

A summary of major classes of assets and liabilities held for sale is presented below as of June 30 (in millions):

		2021
Other current assets	$	25
Long-term investments		18
Property and equipment, net		272
Other long-term assets, net		68
Total assets held for sale	$	383
Other accrued liabilities - current	$	11
Other accrued liabilities - long-term		52
Total liabilities held for sale	$	63

4. COVID-19 PANDEMIC

In December 2019, a novel strain of coronavirus, known as COVID-19, was first detected. The virus spread worldwide and in March 2020 was declared a pandemic by the World Health Organization. The Centers for Disease Control and Prevention confirmed the first case in the United States in February 2020, and with the rapid spread across all 50 states, the United States government passed new laws designed to help the nation respond to this pandemic.

The CARES Act provides stimulus in the form of financial aid to cover extensive emergency funding to hospitals and providers through existing mechanisms to prevent, prepare for, and respond to COVID-19. For the years ended June 30, 2021 and 2020, CommonSpirit has received approximately $478 million and $1.1 billion, respectively, under the CARES Act in the form of grants as reimbursement through the Public Health and Social Services Emergency Fund for lost revenues attributable to COVID-19. These payments are recorded as other operating revenues, as earned. These funds are not required to be repaid upon attestation and compliance with certain terms and conditions. For the years ended June 30, 2021 and 2020, $690 million and $826 million, respectively, has been recognized within other operating revenue. As of June 30, 2021 and 2020, $15 million and $227 million, respectively, of deferred revenue is included within other accrued liabilities - current, in the consolidated balance sheets. CommonSpirit will continue to monitor the terms and conditions of the CARES Act funding and the impact of the pandemic on revenues and expenses. These funds are not required to be repaid upon attestation and compliance with certain terms and conditions.

To date, CommonSpirit also received $2.8 billion in funds under the Medicare Accelerated and Advance Payment Program, of which $2.6 billion was received as of June 30, 2020, and the remainder in fiscal year 2021. These payments are advances that will be recouped by withholding future Medicare fee-for-service payments for claims until such time as the full accelerated payment has been recouped. As of June 30, 2021, the terms and conditions in effect at that time prescribed that any outstanding balance remaining after 29 months from date of receipt are subject to interest of 4%. As such, $1.4 billion is recorded as a current liability in Medicare advances, and $1.1 billion is recorded in Medicare advances – long-term. As of June 30, 2020, $2.6 billion was recorded as a current liability in Medicare advances as the terms and conditions in effect at that time prescribed that any balance remaining after 12 months from the date of receipt must be repaid or may be subject to interest.

CommonSpirit has deferred approximately $416 million of employer payroll taxes through June 30, 2021, pursuant to the Paycheck Protection Program and Health Care Enhancement Act, of which $208 million is recorded as a current liability in accrued salaries and benefits, and $208 million is recorded in other accrued liabilities - long-term.

While the aid received from the programs above provides much needed assistance during this crisis, CommonSpirit is unable to assess the extent to which the amounts and benefits received, or to be received, will offset the negative impacts on its results of consolidated operations and financial position arising from the COVID-19 pandemic.

5. NET PATIENT REVENUE

The percentage of inpatient and outpatient services, calculated on the basis of usual and customary charges, is as follows for the years ended June 30:

	2021	**2020**
Inpatient services	51%	51%
Outpatient services	49%	49%

Patient revenue, net of contractual discounts and adjustments and implicit price concessions, is comprised of the following for the years ended June 30 (in millions):

	2021	2020
Government	$ 14,780	$ 13,319
Contracted	11,937	11,026
Self-pay and other	2,279	1,862
Net patient revenue	$ 28,996	$ 26,207

Government payor type includes Medicare fee for service, Medicare capitated, Medicare managed care fee for service, Medicaid fee for service, Medicaid capitated and Medicaid managed care fee for service patient accounts. Contracted payor type includes contracted rate payors and commercial capitated patient accounts.

Total operating revenues by service line are as follows:

	2021	2020
Hospitals	$ 26,391	$ 23,785
Physician organizations	2,962	2,755
Long-term care and home care	302	332
Other	530	493
Net patient and premium revenue	30,185	27,365
Health plans, accountable care, and other	3,068	2,214
Total operating revenues	$ 33,253	$ 29,579

6. OTHER CURRENT ASSETS

Other current assets consist of the following at June 30 (in millions):

	2021	2020
Inventories	$ 797	$ 640
Receivables, other than patient accounts receivable	631	593
Broker receivables for unsettled investment trades	493	199
Assets held for sale	383	-
Prepaid expenses	344	321
Other	64	69
Total other current assets	$ 2,712	$ 1,822

7. CASH AND INVESTMENTS

CommonSpirit's cash and investments include consolidated membership interests in the CSH OIP as of June 30, 2021, and CHI's equity interest in the Program as of June 30, 2020. Short-term and long-term investments also include assets limited as to use set aside by CommonSpirit for future long-term purposes as outlined below (in millions):

	2021	2020
Cash and cash equivalents	$ 3,329	$ 5,927
Short-term investments	1,124	233
Long-term investments	19,480	12,269
Total cash and investments	23,933	18,429
Less:		
Held for self-insured claims	1,888	1,557
Under bond indenture agreements for debt service	85	19
Donor-restricted	590	475
Other	707	596
Total assets limited as to use	3,270	2,647
Unrestricted cash and investments	$ 20,663	$ 15,782

8. FAIR VALUE MEASUREMENTS

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

Level 1: Quoted prices are available in active markets for identical assets or liabilities as of the measurement date. Financial assets in this category include money market funds, U.S. Treasury securities and listed equities.

Level 2: Pricing inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Financial assets and liabilities in this category generally include asset-backed securities, corporate bonds and loans, municipal bonds, and derivative instruments.

Level 3: Pricing inputs are generally unobservable for the assets or liabilities and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require management's judgment or estimation of assumptions that market participants would use in pricing the assets or liabilities. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

The following represents assets and liabilities measured at fair value or at the NAV practical expedient on a recurring basis as of June 30 (in millions):

	2021			
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets				
Cash and short-term investments	$ 3,543	$ 289	$ -	$ 3,832
U.S. government securities	1,350	489	-	1,839
U.S. corporate bonds	120	1,314	-	1,434
U.S. equity securities	2,969	5	-	2,974
Foreign government securities	-	256	-	256
Foreign corporate bonds	1	825	-	826
Foreign equity securities	3,008	1	-	3,009
Asset-backed securities	-	146	-	146
Private equity	-	-	65	65
Real estate	49	1	-	50
Community Investment Program	-	-	132	132
Other investments	217	182	-	399
Assets measured at fair value	$ 11,257	$ 3,508	$ 197	14,962
Assets at NAV				8,971
Total assets				$ 23,933
Liabilities				
Derivative instruments	$ -	$ 472	$ -	$ 472
Other	4	-	90	94
Total liabilities	$ 4	$ 472	$ 90	$ 566

	2020			
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets				
Cash and short-term investments	$ 6,235	$ 106	$ -	$ 6,341
U.S. government securities	653	213	-	866
U.S. corporate bonds	51	513	-	564
U.S. equity securities	1,033	5	-	1,038
Foreign government securities	-	6	-	6
Foreign corporate bonds	1	87	-	88
Foreign equity securities	855	1	-	856
Asset-backed securities	-	31	-	31
Private equity	-	-	66	66
Real estate	7	1	-	8
DH Community Investment Program	-	-	83	83
Other investments	61	35	1	97
Assets measured at fair value	$ 8,896	$ 998	$ 150	10,044
Assets at NAV				3,499
Total assets				$ 13,543
Liabilities				
Derivative instruments	$ -	$ 630	$ -	$ 630
Other	5	-	75	80
Total liabilities	$ 5	$ 630	$ 75	$ 710

Assets and liabilities measured at fair value on a recurring basis reflected in the table above are reported in short-term investments, long-term investments, current liabilities and other liabilities in the accompanying consolidated balance sheets.

The Level 2 and 3 instruments listed in the fair value hierarchy tables above use the following valuation techniques and inputs:

For marketable securities, such as U.S. and foreign government securities, U.S. and foreign corporate bonds, U.S. and foreign equity securities, mortgage and asset-backed securities, and structured debt, in the instances where identical quoted market prices are not readily available, fair value is determined using quoted market prices and/or other market data for comparable instruments and transactions in establishing prices, discounted cash flow models and other pricing models. These inputs to fair value are included in industry-standard valuation techniques, such as the income or market approach. CommonSpirit classifies all such investments as Level 2.

For private equity investments where no fair value is readily available, the fair value is determined using models that take into account relevant information considered material. Due to the significant unobservable inputs present in these valuations, CommonSpirit classifies all such investments as Level 3.

The fair value of collateral held under securities lending program is classified as Level 2. The collateral held under this program is placed in commingled funds whose underlying investments are valued using techniques similar to those used for the marketable securities noted above. Amounts reported do not include noncash collateral of $209 million and $127 million as of June 30, 2021 and 2020, respectively.

The fair value of assets and liabilities for derivative instruments, such as interest rate swaps classified as Level 2, is determined using an industry standard valuation model, which is based on a market approach. A credit risk spread (in basis points) is added as a flat spread to the discount curve used in the valuation model. Each leg is discounted and the difference between the present value of each leg's cash flows equals the fair value of the swap.

Investments that are measured using the NAV per share practical expedient have not been classified in the fair value hierarchy. The NAV amounts presented in the table above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheets.

Related to investments valued using the NAV per share practical expedient, management also performs, on a regular basis when information is available, various validations and testing of NAV provided and determines that the investment managers' valuation techniques are compliant with fair value measurement accounting standards.

Level 3 financial assets totaling $51 million were recorded through the contribution from business combination in 2021 related to the formation of CSH OIP as described in Note 3. The following table and explanations identify attributes relating to the nature and risk of investments for which fair value is determined using a calculated NAV as of June 30, 2021 (in millions):

		NAV Practical Expedient	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Private equity	(1)	$ 1,173	$ 507	-	-
Multi-strategy hedge funds	(2)	2,956	-	Weekly, Monthly, Quarterly, Semi-annually, Annually	3 - 90 days
Real estate	(3)	762	73	Quarterly	60 - 90 days
Commingled funds - debt securities	(4)	2,039	40	Daily, Monthly, Quarterly	1 - 90 days
Commingled funds - equity securities	(5)	2,041	-	Daily, Weekly, Bi-Weekly, Monthly, Quarterly	2 - 90 days
Total		$ 8,971	$ 620		

(1) This category includes private equity funds that specialize in providing capital to a variety of investment groups, including, but not limited to, venture capital, leveraged buyout, mezzanine debt, distressed debt, and other situations. There are no provisions for redemptions during the life of these funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated, estimated at June 30, 2021, to be over the next 12 years.

(2) This category includes investments in hedge funds that pursue diversification of both domestic and foreign fixed income and equity securities through multiple investment strategies. The primary objective for these funds is to seek attractive long-term, risk-adjusted absolute returns. Under certain circumstances, an otherwise redeemable investment or portion thereof could become restricted. The following table reflects the various redemption frequencies, notice periods, and any applicable lock-up periods or gates to redemption as of June 30, 2021:

Percentage of the Value of Category (2)		Redemption	Redemption Notice	Redemption Locked Up Until	Redemption Gate % of Account
Total	**Subtotal**	**Frequency**	**Period**	**(if applicable)**	**(if applicable)**
10.4%	9.6%	Annually	60 days	up to 2 years	up to 25.0% - 50.0%
	0.8%	Annually	75 days	-	-
29.1%	2.0%	Quarterly	30 - 45 days	up to 2 years	up to 20.0%
	16.8%	Quarterly	55 - 65 days	up to 2 years	up to 10.0% - 25.0%
	10.3%	Quarterly	90 days	-	up to 12.5% - 25.0%
46.4%	5.7%	Monthly	5 days	-	up to 20.0%
	34.1%	Monthly	30 - 50 days	-	up to 16.7% - 20.0%
	6.6%	Monthly	60 - 90 days	-	up to 10.0% - 20.0%
14.1%	14.1%	Weekly	3 days	-	-

(3) This category includes investments in real estate funds that invest primarily in institutional-quality commercial and residential real estate assets within the U.S. and investments in publicly traded real estate investment trusts. Investments representing 20% of the value of investments in this category do not have provisions for redemptions during the life of these funds. Distributions will be received as the underlying investments of the funds are liquidated, estimated at June 30, 2021, to be over the next 12 years.

(4) This category includes investments in commingled funds that invest primarily in domestic and foreign debt and fixed income securities, the majority of which are traded in over-the-counter markets. Also included in this category are commingled fixed income funds that provide capital in a variety of mezzanine debt, distressed debt and other special debt securities situations. Investments representing approximately 8% of the value of investments in this category do not have provisions for redemptions during the life of these funds. Distributions will be received as the underlying investments of the funds are liquidated, estimated at June 30, 2021, to be over the next five years.

(5) This category includes investments in commingled funds that invest primarily in domestic or foreign equity securities with multiple investment strategies. A majority of the funds attempt to match or exceed the returns of specific equity indices.

The investments included above are not expected to be sold at amounts that are materially different from NAV.

The following represents assets and liabilities of the Program in its entirety, of which CHI held 89% as of June 30, 2020, measured at fair value or at the NAV practical expedient on a recurring basis and certain other assets accounted for under the equity method as of June 30, 2020 (in millions):

	2020			
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets				
Short-term investments	$ 12	$ 366	$ -	$ 378
Commercial paper	-	128	-	128
Common stocks	1,961	1	-	1,962
Mutual funds and exchange-traded funds	27	-	-	27
Preferred stocks	7	-	-	7
Fixed-income funds	9	532	-	541
Corporate bonds	-	472	-	472
Asset-backed securities	-	371	-	371
U.S. government bonds:				
U.S. treasury inflation indexed bonds	36	-	-	36
U.S. treasury notes	109	-	-	109
Other	-	19	-	19
Foreign government bonds	-	59	-	59
CHI Direct Community Investment Program	-	-	51	51
Foreign currency exchange contracts	-	175	-	175
Term loans	-	169	1	170
Assets measured at fair value	$ 2,161	$ 2,292	$ 52	4,505
Assets at NAV:				
Hedge funds				285
Real estate				387
Venture capital/private equity				425
Total assets				$ 5,602
Liabilities - foreign currency exchange contracts	$ -	$ 176	$ -	$ 176

9. PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consists of the following at June 30 (in millions):

	2021	2020
Land and improvements	$ 2,077	$ 1,920
Buildings	12,462	11,833
Equipment	9,302	9,345
Construction in progress	2,788	2,070
Total	26,629	25,168
Less: Accumulated depreciation	(10,627)	(9,935)
Property and equipment, net	$ 16,002	$ 15,233

10. OWNERSHIP INTERESTS IN HEALTH-RELATED ACTIVITIES

Joint Operating Agreements – CommonSpirit participates in JOAs with hospital-based organizations in three separate markets. The agreements generally provide for, among other things, joint management of the combined operations of the local facilities included in the JOAs through JOCs. CommonSpirit retains ownership of the assets, liabilities, equity, revenues and expenses of the CommonSpirit facilities that participate in the JOAs. The financial statements of the CommonSpirit facilities managed under all JOAs are included in the accompanying consolidated financial statements. Transfers of assets from facilities owned by the JOA participants generally are restricted under the terms of the agreements.

As of June 30, 2021 and 2020, CommonSpirit has investment interests of 65%, 50% and 50% in JOCs based in Colorado, Iowa, and Ohio, respectively. CommonSpirit's interests in the JOCs are included in ownership interests in health-related activities in the accompanying consolidated balance sheets and totaled $549 million and $469 million at June 30, 2021 and 2020, respectively. CommonSpirit recognizes its investment in all JOCs under the equity method of accounting. The JOCs provide varying levels of services to the related JOA sponsors, and operating expenses of the JOCs are allocated to each sponsoring organization.

Other Ownership Interests in Health-Related Activities – In addition to the JOCs above, CommonSpirit has significant ownership interests, as further described below, that are accounted for under the equity method and reflected in the accompanying consolidated balance sheets in ownership interests in health-related activities:

- CHI acquired the investment in Conifer Health Solutions ("Conifer") in May 2012 as part of a multiyear agreement whereby Conifer provides revenue cycle services and health information management solutions for CHI's acute care operations. CommonSpirit's ownership interest in Conifer was 23.8% as of June 2021 and 2020.
- In January 2018, CHI entered into an agreement with Premier Health to reorganize and restructure the existing JOA with Premier Health. The agreement provided that CHI transfer ownership of the Dayton market-based organization to Premier Health in exchange for a 22% interest in Premier Health.
- Dignity Health transferred and contributed to Optum360, LLC ("Optum360º") certain equipment and the intellectual property related to its internal revenue cycle management functions for a noncontrolling interest in Optum360° in September 2013. Optum360° also provides revenue cycle management functions for other health care organizations. CommonSpirit's ownership interest in Optum360º was 4.15% and 23% at June 30, 2021 and 2020, respectively. As a result of the reduction in ownership interest, Optum360º is no longer considered a significant ownership interest as of or for the year ended June 30, 2021.
- Dignity Health contributed the stock of U.S. HealthWorks to Concentra, Inc. in February 2018 to strengthen the access and delivery of expanded occupational care for employees, payors, and patients. Pursuant to the transaction, Dignity Health received a 20.6% interest in the combined entity, Concentra Group Holdings Parent, LLC. CommonSpirit's interest in Concentra Group Holdings Parent, LLC was

8.6% and 13.1% as of June 30, 2021 and 2020, respectively, pursuant to a sale of certain shares during 2021 and 2020. As a result of the 2021 transaction, Concentra Group Holdings Parent, LLC is no longer considered a significant ownership interest as of or for the year ended June 30, 2021.

The following table summarizes the financial position and results of operations for the significant health-related activities discussed above, unless otherwise specified, which are accounted for under the equity method, as of and for the 12 months ended June 30, or a portion of the periods thereof while held by CommonSpirit (in millions):

	2021			
	Hospitals	**JOCs**	**Other**	**Total**
Total assets	$ 3,020	$ 1,691	$ 2,075	$ 6,786
Total liabilities	1,691	726	227	2,644
Total net assets	1,329	965	1,848	4,142
Total operating revenues, net	1,881	947	1,263	4,091
Excess (deficit) of revenues over expenses	128	(134)	294	288
Investment at June 30 recorded in ownership interests in health-related activities	274	549	836	1,659
Income (loss) recorded in revenue from health-related activities, net	17	(65)	60	12

	2020			
	Hospitals	**JOCs**	**Other**	**Total**
Total assets	$ 2,845	$ 1,522	$ 6,024	$ 10,391
Total liabilities	1,726	684	2,243	4,653
Total net assets	1,119	838	3,781	5,738
Total revenues, net	1,880	955	3,929	6,764
Excess (deficit) of revenues over expenses	(104)	(171)	426	151
Investment at June 30 recorded in ownership interests in health-related activities	244	469	1,382	2,095
Income (loss) recorded in revenue from health-related activities, net	(24)	(83)	91	(16)

Other than the investments described above, ownership interests totaling $1.4 billion and $1.1 billion as of June 30, 2021 and 2020, respectively, are not material individually to the consolidated financial statements.

11. OTHER LONG-TERM ASSETS, NET

Other long-term assets, net, consist of the following at June 30 (in millions):

	2021	2020
Notes receivable, primarily secured	$ 54	$ 57
Goodwill	287	274
Intangible assets - definite-lived, net	122	132
Intangible assets - indefinite-lived	660	568
Donor-restricted assets	451	386
Other	211	133
Total other long-term assets, net	$ 1,785	$ 1,550

Goodwill is measured as of the effective date of a business combination as the excess of the aggregate of the fair value of consideration transferred over the fair value of the tangible and intangible assets acquired and liabilities assumed.

Intangible assets consist primarily of trademarks, trademark agreements, noncompete agreements, certificates of need and other contracts, and are recorded at fair value using various methods based on the nature of the asset. Definite-lived intangible assets are amortized using the straight-line method over the estimated useful lives of the assets.

Goodwill and intangible assets whose lives are indefinite are not amortized and are evaluated for impairment at least annually or when circumstances indicate a possible impairment may exist. No impairment on goodwill or intangible assets was recorded for the years ended June 30, 2021 and 2020.

The aggregate amortization expense related to intangible assets is $12 million for the years ended June 30, 2021 and 2020, respectively, and is recorded in depreciation and amortization on the accompanying consolidated statements of operations and changes in net assets.

Estimated amortization expense related to intangible assets is $8 million in 2022 and 2023, $7 million in 2024, $6 million in 2025 and 2026, and $87 million thereafter.

12. OTHER ACCRUED LIABILITIES

Other accrued liabilities consist of the following at June 30 (in millions):

	2021	2020
Deferred revenue - CARES Act	$ 15	$ 227
Construction retention and contracts payable	61	52
Liabilities held for sale	63	-
Liabilities due to medical groups and physicians	75	63
Capitation claims	106	92
Due to government agencies	123	149
Accrued interest expense	150	140
Operating lease liabilities	270	274
Self-insured reserves and claims	452	407
Broker payables for unsettled investments trades	659	302
Due to unconsolidated affiliates	93	73
Other	917	734
Total other accrued liabilities - current	$ 2,984	$ 2,513

13. DEBT

In August 2019, the CommonSpirit Health Master Trust Indenture (the "CommonSpirit MTI") was formed, with CHI and the Dignity Health Obligated Group each obtaining the necessary consents. The CommonSpirit MTI has an Obligated Group that is comprised of the former Dignity Health Obligated Group and CHI entities (collectively, the "CommonSpirit Obligated Group"). The CommonSpirit Obligated Group represents approximately 85% and 88% of consolidated revenues of CommonSpirit as of June 30, 2021 and 2020, respectively.

Debt, net of unamortized debt issuance costs, discounts and premiums consists of the following at June 30 (in millions):

	2021	2020
Under the CommonSpirit MTI:		
Fixed rate debt:		
Fixed rate revenue bonds payable in installments through 2050; interest at 2.70% to 7.00%	$ 5,093	$ 5,073
Fixed rate taxable bonds payable in installments through 2065; interest at 1.55% to 5.27%	7,747	6,027
Taxable term loan payable in 2025; interest at 2.95%	250	250
Total fixed rate debt	13,090	11,350
Variable rate debt:		
Taxable direct purchase bonds with mandatory tender through 2021; interest set at prevailing market rates (1.54% to 1.67% at June 30, 2020)	-	200
Direct purchase bonds payable in installments through 2024; interest set at prevailing market rates (1.29% to 1.81% at June 30, 2021)	106	165
Floating rate notes payable with mandatory tender through 2025; interest set at prevailing market rates (1.43% at June 30, 2021)	153	306
Variable rate demand bonds payable in installments through 2047; interest set at prevailing market rates (0.02% to 0.10% at June 30, 2021)	247	821
Auction rate certificates payable in installments through 2042; interest set at prevailing market rates (0.17% to 0.25% at June 30, 2021)	240	240
Bank line of credit maturing in 2023; interest set at prevaling market rates (1.12% at June 30, 2021)	54	831
Commercial paper notes with maturities ranging from 14 to 252 days at June 30, 2021; interest set at prevailing market rates (0.20% to 1.05% at June 30, 2021)	553	553
Total variable rate debt	1,353	3,116
Total debt under CommonSpirit MTI	14,443	14,466
Other:		
Various notes payable and other debt payable in installments	728	319
Finance lease obligations	370	255
Total debt	15,541	15,040
Less amounts classified as current	(754)	(1,079)
Less demand bonds subject to short-term liquidity arrangements	(247)	(821)
Total long-term debt	$ 14,540	$ 13,140

Scheduled principal debt payments, net of discounts and premiums, and considering obligations subject to short-term liquidity arrangements as due according to their long-term amortization schedule, for the next five years and thereafter, are as follows (in millions):

	Long-Term Debt Other Than Demand Bonds	Demand Bonds Subject to Short-Term Liquidity Arrangements	Total Long-Term Debt
2022	$ 718	$ 97	$ 815
2023	930	-	930
2024	341	-	341
2025	1,818	-	1,818
2026	625	-	625
Thereafter	10,079	150	10,229
Subtotal	14,511	247	14,758
Finance lease obligations	370	-	370
Issuance cost, net	413	-	413
Total	$ 15,294	$ 247	$ 15,541

Debt Arrangements – **Fixed Rate Revenue Bonds** – CommonSpirit has fixed rate revenue bonds outstanding, substantially all of which may be redeemed, in whole or in part, prior to the stated maturities without a premium.

Fixed Rate Taxable Bonds – CommonSpirit has taxable fixed rate bonds that are due in August 2023, October 2024, 2025, 2029, 2030, 2049, and 2050 and November 2022, 2024, 2040, 2041, 2042 and 2064. Early redemption of the debt, in whole or in part, may require a premium depending on market rates.

Fixed Rate Taxable Term Loan – CommonSpirit has a taxable fixed rate term loan due in April 2025.

Taxable Commercial Paper – CommonSpirit has a commercial paper program that permits the issuance of up to $881 million in aggregate principal amount outstanding, with maturities limited to 270-day periods. The commercial paper program is backed by CommonSpirit's self-liquidity program which is comprised of CommonSpirit's cash management and operating investment programs and dedicated bank lines of credit to ensure the availability of funds to purchase any commercial paper that the remarketing agent is unable to remarket.

Floating Rate Notes – CommonSpirit has floating rate notes ("FRNs") that bear interest at variable rates determined weekly and monthly. These FRNs are subject to mandatory tender on predetermined dates.

Variable Rate Direct Purchase Bonds – CommonSpirit has variable rate direct purchase bonds placed with holders that bear interest at variable rates determined monthly based upon a percentage of the London Inter-bank Offered Rate ("LIBOR"), plus a spread. These bonds are subject to mandatory tender on predetermined dates.

Variable Rate Demand Bonds – CommonSpirit has variable rate demand bonds ("VRDBs") that are remarketed weekly and may be put at the option of the holders. Two of the four series of VRDBs are backed by bank letters of credit, while the remaining two series of VRDBs are supported through CommonSpirit's self-liquidity program (as discussed above). The bank letters of credit and the self-liquidity program ensure the availability of funds to purchase any bonds tendered that the remarketing agent is unable to remarket. CommonSpirit maintains bank letters of credit of $150 million as credit enhancement for the VRDBs to ensure the availability of funds to purchase any bonds tendered that the remarketing agent is unable to remarket. The letters of credit to support the $150 million of VRDBs, which can be used anytime, expire in March 2024.

CommonSpirit Health has $97 million of additional VRDBs that are self-funded and not supported by letters of credit.

Auction Rate Certificates – CommonSpirit has $240 million of auction rate certificates ("ARCs") that are remarketed weekly. The certificates are insured. Holders of ARCs are required to hold the certificates until the remarketing agent can find a new buyer for any tendered certificates.

Notes Payable to Banks Under Credit Agreements – CommonSpirit maintains a $900 million syndicated line of credit facility for working capital, letters of credit, capital expenditures and other general corporate purposes. This credit facility expires in June 2023.

CommonSpirit maintains $190 million in dedicated lines of credit to support the organization's self-liquidity program, to be used to fund tenders of VRDBs and maturing principal of commercial paper due to a failed remarketing. The lines of credit expiration dates are August 2023 and December 2023. No amounts have been drawn.

CommonSpirit also maintains an $85 million single-bank line of credit facility to be used for the issuance of standby letters of credit. No amounts have been drawn.

2021 Financing Activity – In August 2020, CommonSpirit renewed a $125 million line of credit used to support its self-liquidity program scheduled to mature in August 2020, to August 2023.

In September 2020, CommonSpirit repaid $800 million of draws during February through April 2020 on its syndicated line of credit.

In September 2020, CommonSpirit drew $54 million on its syndicated line of credit for the redemption in full, of the Colorado Health Facilities Authority Variable Rate Revenue Bonds, Series 2004B-6.

In October 2020, CommonSpirit issued $1.7 billion of taxable fixed rate bonds at par, with repayment of $450 million, $550 million and $658 million to be made in October 2025, 2030 and 2050, respectively. A portion of the proceeds were used to refund $537 million of tax-exempt fixed rate bonds, $230 million of tax-exempt variable rate bonds, $196 million of taxable variable rate bonds, $153 million of tax-exempt floating rate notes, $79 million of affiliate debt, and $439 million for general working capital purposes and to pay cost of issuance expenses.

In October 2020, CommonSpirit issued $577 million of tax-exempt fixed rate bonds, at a premium. Proceeds included $300 million of new money to reimburse for prior capital expenditures and $344 million to refinance tax-exempt variable rate bonds. The bonds mature in April 2049.

In November 2020, CommonSpirit repaid a $31 million draw on its syndicated line of credit using proceeds from the CommonSpirit 2020 taxable bonds.

In December 2020, CommonSpirit increased a line of credit used to issue standby letters of credit from $35 million to $85 million. The line of credit is scheduled to expire June 2023.

In December 2020, CommonSpirit renewed a $65 million line of credit used to support its self-liquidity program scheduled to mature in December 2020, to December 2023.

In March 2021, CommonSpirit renewed and extended two letters of credit issued by Dignity Health scheduled to expire November 2021 to support VRDBs of $75 million each, to March 2024. This did not change the terms, provisions or classification of the VRDBs.

In June 2021, CommonSpirit redeemed in full the Colorado Health Facilities Authority Revenue Bonds (Catholic Health Initiatives) Series 2009A. The bonds were redeemed at par.

2020 Financing Activity – In July 2019, Dignity Health entered into $1.2 billion of bridge loans with three banks to advance refund certain CHI fixed rate bonds using acquisition financing treatment.

In August 2019, CommonSpirit issued $2.5 billion of tax-exempt fixed rate bonds, at a premium. Proceeds were used to refinance $1.1 billion of the bridge loans entered into in July 2019, refund $1.4 billion of tax-exempt fixed rate bonds that were placed in escrow and the bonds defeased, refund $322 million of commercial paper, and provide $106 million for general working capital purposes. The bonds were sold at a premium and mature in August 2044 and 2049.

In August 2019, CommonSpirit issued $621 million of tax-exempt put bonds. Proceeds included $569 million of new money and were used to refund $161 million of tax-exempt fixed rate bonds, which were placed in escrow, and the bonds were defeased. The bonds were sold at a premium and mature in August 2049, with mandatory purchase dates in August 2024, 2025 and 2026.

In August 2019, CommonSpirit issued $3.3 billion of taxable fixed rate bonds at par, with repayments of $770 million, $915 million, $700 million (insured) and $930 million to be made in October 2024, 2029, 2049 (insured) and 2049, respectively. A portion of the proceeds were used to refund $1.5 billion of CHI tax-exempt fixed rate bonds, refinance $945 million of Dignity Health bank lines of credit, refinance $353 million of Dignity Health direct placement variable rate bank loans, refinance $338 million of Dignity Health taxable bonds, refinance $137 million of the bridge loans, refund $41 million of Dignity Health tax-exempt fixed rate bonds, refinance $5 million of commercial paper, and pay cost of issuance expenses. Refunded bonds were placed in escrow and were defeased. The bonds were sold at par and mature in October 2049.

In September 2019, CommonSpirit renewed and extended three letters of credit issued by Dignity Health in October 2015 to support VRDBs of $76 million, $60 million, and $60 million, to October 2022. This did not change the terms, provisions or classification of the VRDBs.

In November 2019, CommonSpirit renewed and extended a letter of credit issued by Dignity Health in December 2015 to support VRDBs of $57 million to December 2023. This did not change the terms, provisions or classification of the VRDBs.

In December 2019, CommonSpirit renewed a $65 million line of credit used to support its self-liquidity program scheduled to mature in December 2019, to December 2020.

In February 2020, CommonSpirit renewed and extended a letter of credit issued by Dignity Health in March 2018 to support VRDBs of $90 million to March 2023. This did not change the terms, provisions or classification of the VRDBs.

In February 2020, CommonSpirit drew $100 million on its syndicated line of credit for working capital purposes.

In March 2020, CommonSpirit renewed a $75 million line of credit used to support its self-liquidity program scheduled to mature in March 2020, to June 2020.

In March 2020, CommonSpirit drew $500 million on its syndicated line of credit for working capital purposes.

In April 2020, CommonSpirit drew $200 million on its syndicated line of credit for working capital purposes.

In April 2020, CommonSpirit refinanced a $250 million fully drawn line of credit scheduled to mature in August 2020, into a fixed rate term loan to mature in April 2025.

In April 2020, CommonSpirit provided for the redemption in full, of $35 million of the County of Montgomery, Ohio Health Care and Multifamily Housing Improvement and Refunding Revenue Bonds, Series 2010 (St. Leonard) issued for the benefit of one of its affiliates using $31 million of proceeds from a draw on its syndicated line of credit, and its own funds.

14. DERIVATIVE INSTRUMENTS

CommonSpirit's derivative instruments include 29 floating-to-fixed rate interest rate swaps and one basis swap as of June 30, 2021. CommonSpirit uses interest rate swaps to manage interest rate risk associated with outstanding variable rate debt. Under the floating-to-fixed rate swaps, CommonSpirit receives a percentage of LIBOR, plus a spread, and pays a fixed rate. The basis swap allows CommonSpirit to receive a percentage of LIBOR, plus a spread and pay a percentage of the Securities Industry and Financial Markets Association (SIFMA).

CommonSpirit's derivative instruments also include eight total return swaps as of June 30, 2021. CommonSpirit receives a fixed rate and pays a variable rate percentage of SIFMA, plus a spread. CommonSpirit uses these total return swaps to reduce interest expense associated with the fixed rate debt.

The following table shows the outstanding notional amount of derivative instruments measured at fair value, net of credit value adjustments, as reported in the accompanying consolidated balance sheets as of June 30, 2021 and 2020 (in millions):

	Maturity Date of Derivatives	Interest Rate	Notional Amount Outstanding	Fair Value
			2021	
Derivatives not designated as hedges:				
Interest rate swaps	2024 - 2047	3.2% - 4.0%	$ 2,117	$ (473)
Risk participation agreements	2022 - 2025 with extension options	SIFMA plus spread	510	-
Total return swaps	2024 - 2030	SIFMA plus spread	322	1
Total derivative instruments			2,949	(472)
Cash collateral			-	185
Derivative instruments, net			$ 2,949	$ (287)
			2020	
Derivatives not designated as hedges:				
Interest rate swaps	2024 - 2047	3.2% - 4.0%	$ 2,189	$ (629)
Risk participation agreements	2022 - 2025 with extension options	SIFMA plus spread	510	-
Total return swaps	2021 - 2030	SIFMA plus spread	394	(1)
Total derivative instruments			3,093	(630)
Cash collateral			-	353
Derivative instruments, net			$ 3,093	$ (277)

CommonSpirit held $2.1 billion notional amount of interest rate swaps and $832 million notional amount of total return swaps at June 30, 2021, which have a negative fair value of $473 million and fair value of $1 million, respectively. CommonSpirit posted $185 million of collateral against the fair value of the interest rate swaps as of June 30, 2021.

CommonSpirit's interest rate swaps mature between 2024 and 2047. CommonSpirit has the right to terminate the swaps prior to maturity for any reason. The termination value would be the fair value or the replacement cost of the swaps, depending on circumstances. The derivative agreements have certain early termination triggers caused by an event of default or a termination event. The events of default include failure to make payment when due, failure to give notice of a termination event, cash on hand dropping below a specified number of days, and defaults under other agreements (cross-default provision). Termination events can include credit ratings dropping below a defined minimum credit rating threshold by either party.

CommonSpirit has $160 million notional amount of interest rate swaps that are insured and have a negative fair value of $58 million as of June 30, 2021. In the event the insurer is downgraded below a specified minimum credit rating, the counterparties have the right to terminate the swaps if CommonSpirit does not provide alternative credit support acceptable to them within 30 days of being notified of the downgrade. If both the insurer and CommonSpirit are downgraded below a specified minimum credit rating, the counterparties have the right to terminate the swaps.

CommonSpirit has $2.0 billion notional amount of interest rate swaps that are not insured, of which the counterparties have various rights to terminate $409 million notional. These include the outstanding notional amounts of $100 million and $181 million at each five-year anniversary date commencing in March 2023 and September 2023, respectively. Swaps in the outstanding notional amounts of $68 million and $60 million have mandatory puts in March 2023 and March 2028, respectively. The termination value would be the fair value or the replacement cost of the swaps, depending on the circumstances. These interest rate swaps with the optional and mandatory put options have a negative fair value of $83 million as of June 30, 2021. The remaining uninsured swaps in the notional amount of $1.6 billion have a negative fair value of $332 million as of June 30, 2021.

CommonSpirit has floating rate derivatives in the notional amount of $832 million as of June 30, 2021. These include $510 million of risk participation agreements which have a fair value deemed immaterial and $322 million notional of total return swaps with a fair value of $1 million as of June 30, 2021.

In January 2021, CommonSpirit renewed a total return swap in the notional amount of $25 million to reduce interest expense associated with fixed rate debt. CommonSpirit receives a fixed rate and pays a variable rate of SIFMA, plus a spread. The total return swap will expire in January 2024.

In February 2021, CommonSpirit extended the mandatory put date on the $60 million notional swap from March 2021 to March 2028.

In June 2021, CommonSpirit terminated a total return swap in the notional amount of $25 million due to the defeasance of the Colorado Health Facilities Authority Revenue Bonds (Catholic Health Initiatives) Series 2009A.

In June 2021, CommonSpirit novated swaps with notional amounts of $324 million held with one counterparty to another.

In July 2021, CommonSpirit novated swaps in the outstanding notional amount of $322 million held with one counterparty to another. The swap notional amount of $68 million with the mandatory put in March 2028 referenced above was removed as part of this transaction.

All swaps and derivative bank counterparties have consented to the CommonSpirit Health MTI.

15. LEASES

CommonSpirit enters into operating and finance leases primarily for buildings and equipment and determines if an arrangement is a lease at inception of the contract. For leases with terms greater than 12 months, CommonSpirit records the related right-of-use asset ("ROU") and lease liability at the present value of lease payments over the contract term using a risk-free interest rate, subject to certain adjustments. CommonSpirit does not separate contract lease and non-lease components except for a class of underlying assets related to supply agreements, which include associated equipment. Certain building lease agreements require CommonSpirit to pay maintenance, repairs, property taxes and insurance costs, which are variable amounts based on actual costs incurred during each applicable period. Such costs are not included in the determination of the ROU asset or lease liability. Lease costs also include escalating rent payments that are not fixed at commencement but are based on the Consumer Price Index or other measure of cost inflation. Future changes in the indices are included within variable lease costs. Certain leases include one or more options to renew the lease at the end of the initial term, with renewal terms that generally extend the lease at the then market rate of rental payment. Certain leases also include an option to buy the underlying asset at or a short time prior to the termination of the lease. All such options are at CommonSpirit's discretion and are evaluated at the commencement of the lease, with only those that are reasonably certain of exercise included in determining the appropriate lease term and lease type.

The components of lease cost, net for the year ended June 30 are as follows (in millions):

	2021	2020
Operating lease cost	$ 336	$ 359
Variable lease cost	152	159
Short-term rent expense	69	20
Amortization of right-of-use assets	41	41
Interest on finance lease liabilities	11	8
Sublease income	(5)	(5)
Total lease cost, net	$ 604	$ 582

Following is supplemental consolidated balance sheet information related to leases as of June 30 (in millions):

Lease Type	**Balance Sheet Classification**	**2021**	**2020**
Operating Leases:			
Operating lease ROU assets	Right-of-use operating lease assets	$ 1,863	$ 1,828
Operating lease obligations - current	Other accrued liabilities - current	270	274
Operating lease obligations - long-term	Other liabilities: Operating lease liabilities	1,750	1,701
Finance Leases:			
Finance lease ROU assets	Property and equipment, net	292	$ 208
Current finance lease liabilities	Current portion of long-term debt	36	30
Long-term finance lease liabilities	Long-term debt, net of current portion	334	225

Supplemental cash flow and other information related to leases for the years ended June 30 are as follows (in millions):

Cash paid for amounts included in the measurement of lease liabilities:	2021	2020
Operating cash flows from operating leases	$ 346	$ 339
Operating cash flows from finance leases	11	7
Financing cash flows from finance leases	34	33
ROU assets obtained in exchange for new operating lease liabilities	$ 371	$ 128
ROU assets obtained in exchange for new finance lease liabilities	$ 175	$ 69
Weighted-average remaining lease term:		
Operating leases	11 years	11 years
Finance leases	19 years	17 years
Weighted-average discount rate:		
Operating leases	2.0%	2.2%
Finance leases	4.0%	3.6%

Commitments related to operating and finance leases for each of the next five years and thereafter as of June 30, 2021, are as follows (in millions):

	Operating	Finance	Total
2022	$ 320	$ 52	$ 372
2023	293	49	342
2024	266	42	308
2025	246	38	284
2026	228	35	263
Thereafter	1,003	277	1,280
Total minimum future lease payments	2,356	493	2,849
Less: Imputed interest	(275)	(122)	(397)
Total lease liabilities	2,081	371	2,452
Less: Held for sale	(61)	(1)	(62)
Less: Current portion	(270)	(36)	(306)
Long-term liabilities	$ 1,750	$ 334	$ 2,084

16. INTEREST EXPENSE, NET

The components of interest expense, net, include the following (in millions):

	2021	2020
Interest and fees on debt	$ 470	$ 482
Capitalized interest expense	(19)	(26)
Interest expense, net	$ 451	$ 456

17. RETIREMENT PROGRAMS

CommonSpirit maintains defined benefit pension plans and other postretirement benefit plans that cover most Dignity Health and CHI employees. Benefits for both types of plans are generally based on age, years of service and employee compensation.

Certain of CHI's plans were frozen in previous years, and benefits earned by employees through that time period remain in the retirement plans, where employees continue to receive interest credits and vesting credits, if applicable.

Actuarial valuations are performed for all of the plans. These valuations are dependent on various assumptions. These assumptions include the discount rate and the expected rate of return on plan assets (for pension), which are important elements of expense and liability measurement. Other assumptions involve demographic factors such as retirement age, mortality, turnover, and the rate of compensation increases. CommonSpirit evaluates all assumptions in conjunction with the valuation updates and modifies them as appropriate. In the years ended June 30, 2021 and 2020, the actuarial losses were primarily driven by the change in discount rate assumption.

Pension costs and other postretirement benefit costs are allocated over the service period of the employees in the plans. The principle underlying this accounting is that employees render service ratably over the period, and therefore, the effects in the accompanying consolidated statements of operations and changes in net assets follow the same pattern. Net actuarial gains and losses are amortized to expense on a plan-by-plan basis when they exceed the accounting corridor. The accounting corridor is a defined range within which amortization of net gains and losses is not required and is equal to 10% of the greater of the plan assets or benefit obligations. Gains or losses outside of the corridor are subject to amortization over the average employee future service period.

Contributions to the defined benefit pension plans are based on actuarially determined amounts sufficient to meet the benefits to be paid to plan participants. Dignity Health management believes the majority of its plans qualify under a church plan exemption, and as such, are not subject to Employee Retirement Income Security Act ("ERISA") funding requirements. CommonSpirit's funding policy requires that, at a minimum, contributions equal the unfunded normal cost plus amortization of any unfunded actuarial accrued liability. Contributions to these funded plans are anticipated at $226 million in 2022, which exceeds the funding policy minimum contributions.

The accumulated benefit obligation exceeds plan assets for the defined benefit plans and postretirement benefit plans in the aggregate for the years ended June 30, 2021 and 2020. The following summarizes the benefit obligations and funded status for the defined benefit pension and postretirement benefit plans (in millions):

	2021	2020
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 14,096	$ 12,677
Service cost	396	340
Interest cost	305	395
Actuarial loss	148	1,329
Acquisitions and other	138	3
Settlements	(140)	(194)
Benefits paid	(554)	(454)
Benefit obligation at end of year	$ 14,389	$ 14,096
Accumulated benefit obligation	$ 13,826	$ 13,578
Change in plan assets:		
Fair value of plan assets at beginning of year	$ 8,887	$ 9,177
Actual return on plan assets	2,565	170
Settlements	(133)	(186)
Employer contributions	226	180
Benefits paid	(554)	(454)
Acquisitions and other	91	-
Fair value of plan assets at end of year, net	$ 11,082	$ 8,887
Funded status	$ (3,307)	$ (5,209)

The change in net actuarial loss of $2.0 billion is included in the statement of changes in net assets for the year ended June 30, 2021. The actuarial losses for the years ended June 30, 2021 and 2020, are $1.9 billion and $3.9 billion, respectively.

The settlement component of net periodic benefit cost is recognized in the accompanying consolidated statements of operations and changes in net assets within nonoperating income (loss).

The following table summarizes the assumptions used to determine benefit obligations as of June 30:

	2021	2020
To determine benefit obligations:		
Discount rate	1.4%-3.1%	1.4% - 3.0%
Rate of compensation increase	3.8%	3.8%
To determine net periodic benefit cost:		
Discount rate	1.4%-3.0%	2.4% - 3.7%
Expected return on plan assets	4.4%-7.1%	4.8% - 7.3%
Rate of compensation increase	3.8%	3.8%

The following table summarizes the components of net periodic benefit cost recognized in the accompanying consolidated statements of operations and changes in net assets (in millions):

	2021	2020
Service cost	$ 396	$ 340
Interest cost	305	395
Expected return on plan assets	(602)	(640)
Settlements	44	77
Net prior service credit amortization	(1)	(1)
Net actuarial loss amortization	168	69
Net periodic benefit cost	$ 310	$ 240

The service cost amount above is recorded in salaries and benefits on the accompanying consolidated statements of operations and changes in net assets. All other costs of net periodic benefit cost above are reflected in nonoperating income (loss) in the consolidated statements of operations and changes in net assets.

The following represents the fair value of plan assets, net, measured on a recurring basis as of June 30 (in millions). See Note 8 for the definition of Levels 1 and 2 in the fair value hierarchy and investments valued using the NAV practical expedient and discussion regarding fair value measurement.

	2021			
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets				
Cash and short-term investments	$ 232	$ 222	$ -	$ 454
U.S. government securities	209	53	-	262
U.S. corporate bonds	302	397	-	699
U.S. equity securities	1,731	2	-	1,733
Foreign government securities	-	35	-	35
Foreign corporate bonds	-	145	-	145
Foreign equity securities	2,040	1	-	2,041
Real estate	25	-	-	25
Other	-	54	-	54
Assets measured at fair value	$ 4,539	$ 909	$ -	5,448
Assets at NAV:				
U.S. corporate bonds				627
U.S. equity securities				716
Foreign corporate bonds				138
Foreign equity securities				1,529
Private equity				1,133
Hedge funds				1,151
Real estate				430
Total assets				$ 11,172
Liabilities				
Foreign currency exchange contracts	-	51	-	51
Total liabilities	$ -	$ 51	$ -	$ 51
Other plan assets (liabilities)				
Due from brokers for unsettled investment trades				88
Due to brokers for unsettled investment trades				(127)
Fair value of plan assets, net				$ 11,082

	2020			
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
Assets				
Cash and short-term investments	$ 79	$ 417	$ -	$ 496
U.S. government securities	612	156	-	768
U.S. corporate bonds	-	930	-	930
U.S. equity securities	1,779	-	-	1,779
U.S. term loans	-	150	1	151
Foreign corporate bonds	-	184	-	184
Foreign equity securities	1,187	-	-	1,187
Foreign term loans	-	28	-	28
Real estate	9	-	-	9
Other	-	238	-	238
Assets measured at fair value	$ 3,666	$ 2,103	$ 1	5,770
Assets at NAV:				
U.S. corporate bonds				206
U.S. equity securities				176
Foreign corporate bonds				47
Foreign equity securities				928
Private equity				1,014
Hedge funds				770
Real estate				200
Total assets				$ 9,111
Liabilities				
Foreign currency exchange contracts	$ -	$ 98	$ -	$ 98
Payable under securities lending program	-	15	-	15
Total liabilities	$ -	$ 113	$ -	$ 113
Other plan assets (liabilities)				
Due from brokers for unsettled investment trades				247
Due to brokers for unsettled investment trades				(358)
Fair value of plan assets, net				$ 8,887

The following table summarizes the weighted-average asset allocations by asset category for the pension plans:

	2021	**2020**
Cash and cash equivalents	4%	5%
U.S. government securities	2%	8%
U.S. corporate bonds	12%	12%
U.S. equity securities	22%	21%
U.S. term loans	0%	2%
Foreign corporate bonds	3%	3%
Foreign equity securities	32%	23%
Private equity	10%	11%
Other	15%	15%
Total	100%	100%

The asset allocation policy for the pension plans for 2021 is as follows: domestic fixed income, 12%; international fixed income, 2%; domestic equity, 32%; international equity, 26%; private equity, 10.5%; hedge funds, 9%; real assets 6%; and cash and opportunistic, 2.5%.

The asset allocation policy for the pension plans for 2020 is as follows: domestic fixed income, 20%; international fixed income, 2%; domestic equity, 26%; international equity, 26%; private equity, 9%; hedge funds, 8%; real assets 6.5%; cash and opportunistic, 2.5%.

CommonSpirit's investment strategy for the assets of the pension plans is designed to achieve returns to meet obligations and grow the assets of the portfolios longer term, consistent with a prudent level of risk. The strategy balances the liquidity needs of the pension plans with the long-term return goals necessary to satisfy future obligations. The target asset allocation is diversified across traditional and non-traditional asset classes. Diversification is also achieved through participation in U.S. and non-U.S. markets, market capitalization, and investment manager style and philosophy. The complementary investment styles and approaches used by both traditional and alternative investment managers are aimed at reducing volatility while capturing the equity premium from the capital markets over the long term. Risk tolerance is established through consideration of plan liabilities, plan funded status, and corporate financial condition. Consistent with CommonSpirit's fiduciary responsibilities, the fixed income allocation generally provides for security of principal to meet near-term expenses and obligations. Periodic reviews of the market values and corresponding asset allocation percentages are performed to determine whether a rebalancing of the portfolio is necessary.

CommonSpirit's pension plan portfolio return assumptions for 2021 and 2020 were based on the long-term weighted-average returns of comparative market indices for the asset classes represented in the portfolio and expectations about future returns.

The following benefit payments, which reflect expected future service, are expected to be paid (in millions):

2022	$ 849
2023	711
2024	698
2025	717
2026	736
2027-2031	3,845
Total	$ 7,556

CommonSpirit maintains defined contribution retirement plans for most employees. Employer contributions to those plans of $362 million and $331 million for 2021 and 2020, respectively, included in salaries and benefits in the accompanying consolidated statements of operations and changes in net assets, are primarily based on a percentage of a participant's contribution.

18. COMMITMENTS, CONTINGENT LIABILITIES, GUARANTEES AND OTHER

The following summary encompasses matters related to litigation, regulatory and compliance matters, and developments thereto.

General – The health care industry is subject to voluminous and complex laws and regulations of federal, state and local governments. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not necessarily limited to, the rules governing licensure, accreditation, controlled substances, privacy, government program participation, government reimbursement, antitrust, anti-kickback, prohibited referrals by physicians, false claims, and in the case of tax-exempt organizations, the requirements of tax exemption. Management believes CommonSpirit is materially in compliance with all applicable laws and regulations of the Medicare and Medicaid programs. Compliance with such laws and regulations is complex and can be subject to future governmental interpretation as well as significant regulatory action, including fines, penalties and exclusion from the Medicare and Medicaid programs. Certain CommonSpirit entities have been contacted by governmental agencies regarding alleged violations of Medicare practices for certain services. Additionally, certain CommonSpirit entities have identified and self-disclosed potential instances of noncompliance with applicable regulations. In the opinion of management after consultation with legal counsel, the ultimate outcome of these matters will not have a material adverse effect on CommonSpirit's consolidated financial statements.

In recent years, government activity has increased with respect to investigations and allegations of wrongdoing. In addition, during the course of business, CommonSpirit becomes involved in civil litigation. Management assesses the probable outcome of unresolved litigation and investigations and records contingent liabilities reflecting estimated liability exposure. Following is a discussion of matters of note.

Pension Plan Litigation – In April 2013, Dignity Health was served with a class action lawsuit filed in the United States District Court for the Northern District of California by a former employee alleging breaches of fiduciary duty and other claims under ERISA in connection with the Dignity Health Pension Plan ("DHPP"). Among other things, the complaint originally alleged that, because Dignity Health is not a church or an association of churches, the DHPP does not qualify as a "church plan". The complaint also challenged the constitutionality of ERISA's church plan exemption. Dignity Health and the sponsoring religious orders established the DHPP and determined the DHPP was a church plan that should be exempt from ERISA, including ERISA's funding requirements, and received private letter rulings from the Internal Revenue Service that confirmed its church plan status. The plaintiff sought to represent a class comprised of participants and beneficiaries of the DHPP as of April 2013, when the complaint was filed.

In July 2014, the District Court ruled that only a church or an association of churches may establish a church plan; the DHPP did not qualify as a church plan since Dignity Health was not a church when the plan was established, and, therefore, DHPP was not exempt from ERISA. Dignity Health appealed the decision. In July 2016, the Ninth Circuit Court of Appeals issued its opinion, which affirmed the District Court's order and held that a church plan must be established by a church or by an association of churches and must be maintained either by a church or by a church-controlled or church-affiliated organization whose principal purpose or function is to provide benefits to church employees. The Ninth Circuit remanded the case to the District Court for further proceedings.

Dignity Health appealed the decision to the United States Supreme Court, which agreed to hear Dignity Health's case together with those of two other faith-based health systems facing similar challenges to church plan status.

In June 2017, the Supreme Court issued its unanimous opinion reversing the decision of the Ninth Circuit. The Court concluded that the 1980 amendment to Section 3(33)(C) of ERISA was intended by Congress to expand the types of pension plans that could qualify as church plans to include plans maintained by faith-based organizations such as Dignity Health and regardless of who first established the plans. The decision did not determine whether Dignity Health satisfied the requirements to maintain a church plan. In fact, the Court specifically noted that it was not deciding (1) whether any hospital was sufficiently associated with a church for its pension plan to qualify for the church plan exemption, or (2) whether an internal retirement committee could qualify as a “principal purpose” organization entitled to maintain a church plan. The Supreme Court remanded the case to the Ninth Circuit for further action based on its decision.

Based on the Supreme Court’s decision, the Ninth Circuit returned the case to the District Court to continue the proceedings with regard to the two outstanding questions and other claims that were not decided by the Supreme Court. The plaintiff amended its original complaint in November 2017, and Dignity Health filed a motion to dismiss the case in December 2017. The motion was heard in March 2018. In September 2018, the District Court issued its ruling denying Dignity Health’s motion to dismiss. The decision was primarily based upon the procedural standard that requires the Court to accept the plaintiff’s allegations in the amended complaint as true and does not permit Dignity Health to refute those allegations. As a result, the Court found that the amended complaint was sufficient to withstand dismissal at this stage, but encouraged the parties to further develop the factual record as a basis to consider Dignity Health’s objections in the future.

The parties have agreed in principle to resolve the litigation. An unopposed motion for approval of the terms of settlement is currently pending before the court for approval. Management does not believe that the proposed settlement will have a material adverse effect on the financial position or results of operations of CommonSpirit.

Long-term Contracts – CommonSpirit has entered into certain Master Services Agreements (“MSAs”) with related parties for the purchase of revenue cycle management services that terminate in fiscal years 2031 and 2033. The agreements are amended from time to time and are subject to annual adjustments for inflation and achievement of certain performance levels, which reflect market terms. These amounts are recorded in purchased services and other in the accompanying statements of operations and changes in net assets. The MSAs are subject to significant penalties for cancellation without cause.

Purchase Commitments – CommonSpirit has entered into various agreements that require certain minimum purchases of goods and services, including management services agreements for information and clinical technology and sponsorship agreements, at levels consistent with normal business requirements. Excluding the long-term contracts noted above, outstanding unconditional purchase commitments were approximately $305 million at June 30, 2021.

19. FUNCTIONAL EXPENSES

CommonSpirit provides health care services, including inpatient, outpatient, ambulatory, long-term care and community-based services to individuals within the various geographic areas supported by its facilities. Expenses for these program services represent costs that are controllable by operational leadership. Support services include administration, financial services and purchasing, financial planning and budgeting, information technology, risk management, public relations, human resources, cash, debt and investment management, legal, mission services, and other functions that are supported centrally for all of CommonSpirit and are driven by CommonSpirit leadership.

Following is a summary of the program and support services provided for the years ended June 30, 2021 and 2020 (in millions):

	2021			
	Program Services - Health care	Support Services - Management and Administrative	Support Services - Fundraising	Total Expenses
Salaries and benefits	$ 15,090	$ 890	$ 26	$ 16,006
Supplies	5,019	67	-	5,086
Purchased services and other	7,958	1,206	61	9,225
Depreciation and amortization	1,341	146	-	1,487
Interest expense	379	72	-	451
Total operating expenses	$ 29,787	$ 2,381	$ 87	$ 32,255

	2020			
	Program Services - Health care	Support Services - Management and Administrative	Support Services - Fundraising	Total Expenses
Salaries and benefits	$ 13,659	$ 969	$ 25	$ 14,653
Supplies	4,456	58	1	4,515
Purchased services and other	7,499	1,417	59	8,975
Depreciation and amortization	1,198	332	-	1,530
Interest expense	419	37	-	456
Total operating expenses	$ 27,231	$ 2,813	$ 85	$ 30,129

20. UNSPONSORED COMMUNITY BENEFIT EXPENSE (UNAUDITED)

Unsponsored community benefits are programs or activities that provide treatment and/or promote health and healing as a response to identified community needs. These benefits (a) generate a low or negative margin, (b) respond to the needs of special populations, such as persons living in poverty and other disenfranchised persons, (c) supply services or programs that would likely be discontinued, or would need to be provided by another nonprofit or government provider, if the decision was made on a purely financial basis, (d) respond to public health needs, and/or (e) involve education or research that improves overall community health.

Benefits for the Poor include services provided to persons who are low-income or medically indigent and cannot afford to pay for health care services because they have insufficient resources and/or are uninsured or underinsured. Serving these populations helps to achieve health equity.

Benefits for the Broader Community refer to programs in the general communities that CommonSpirit serves, including but beyond those for low-income and vulnerable persons. Most services for the broader community are aimed at improving the health and welfare of the overall community. CommonSpirit provides services to nonprofit organizations that promote the total health of their local communities, including the development of and connection to health and social services, support for affordable housing and healthy food, increasing opportunities for jobs and job training, and expanding access to health care for uninsured and underinsured persons.

Financial Assistance (Charity Care) is free or discounted health services provided to persons who cannot afford to pay and who meet CommonSpirit's criteria for financial assistance.

Net Community Benefit, excluding the unpaid cost of Medicare, is the total cost incurred after deducting direct offsetting revenue from government programs, patients, and other sources of payment or reimbursement for services provided to program patients. Restricted revenue from grants, fees, and other sources of payment or reimbursement for services provided to patients, program participants and the community also are included in direct offsetting revenue. The comparable amount of net community benefit was $2 billion for 2020 and net community benefit, including the unpaid cost of Medicare, was $5 billion for 2020.

Following is a summary of CommonSpirit's community benefits for 2021, in terms of services to the poor and benefits for the broader community, which has been prepared in accordance with Internal Revenue Service Form 990, Schedule H and the CHA publication, *A Guide for Planning and Reporting Community Benefit* (dollars in millions):

	Unaudited			
	Total Benefit Expense	**Direct Offsetting Revenue**	**Net Community Benefit**	**% of Total Expenses**
Benefits for the poor:				
Traditional charity care	$ 507	$ (25)	$ 482	1.5%
Unpaid costs of Medicaid / Medi-Cal	4,939	(3,381)	1,558	4.8%
Other means-tested programs	46	-	46	0.1%
Community services:				
Community health services	83	(31)	52	0.2%
Health professions education	39	-	39	0.1%
Subsidized health services	84	(8)	76	0.2%
Cash and in-kind contributions	39	(13)	26	0.1%
Community building activities	4	(1)	3	0.0%
Community benefit operations	13	-	13	0.0%
Total community services for the poor	262	(53)	209	0.6%
Total benefits for the poor	5,754	(3,459)	2,295	7.0%
Benefits for the broader community:				
Community services:				
Community health services	34	(4)	30	0.1%
Health professions education	210	(19)	191	0.6%
Subsidized health services	65	(40)	25	0.1%
Research	43	(37)	6	0.0%
Cash and in-kind contributions	6	-	6	0.0%
Community building activities	7	(1)	6	0.0%
Community benefit operations	17	-	17	0.1%
Total benefits for the broader community	382	(101)	281	0.9%
Total community benefits	$ 6,136	$ (3,560)	$ 2,576	7.9%
Unpaid costs of Medicare	6,388	(3,853)	2,535	7.9%
Total community benefits, including unpaid costs of Medicare	$ 12,524	$ (7,413)	$ 5,111	15.8%

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