Annual Financial Report

As of and for the Years Ended

December 31, 2021 and 2020

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HENRY FORD HEALTH SYSTEM OVERVIEW

Organizational Overview

Henry Ford Health System, a Michigan nonprofit corporation, and its affiliates (collectively, the "System") form a regional vertically integrated health care network made up of:

- Five acute care hospitals and two psychiatric hospitals.
- Henry Ford Medical Group (HFMG), one of the nation's largest and longest existing physician group practices, with approximately 1,900 employed physicians and scientists, practicing in over 40 specialties.
- Health Alliance Plan of Michigan (HAP) and its subsidiaries, health insurance plans with more than three decades of integrated insurance operations, with approximately 431,000 covered lives and products in nearly every market segment.
- Comprehensive provider assets, including an extensive network of ambulatory medical and health service centers, a dedicated substance abuse facility, behavioral health clinics, dialysis centers, home-based care programs, as well as pharmacy, eye care, and other retail-oriented services. In aggregate, the System has more than 250 care delivery locations, serving patients in southeast and south-central Michigan.

Mission, Vision, and Values

The System's mission is to improve people's lives through excellence in the science and art of health care and healing. The System's vision is to be the trusted partner in health, leading the nation in superior care and value—one person at a time. The System's values, as depicted by the graphic below, support its mission and vision.

Strategy

The System's strategic plan "Path to True North 2023" (the "Plan") drives the System's continued success in the marketplace. In support of the organization's mission, the plan focuses on three core outcomes:

- **Health of the Community** – Providing affordable and high-quality seamless care and coverage
- **Scale** – Sufficiency of competitive scale to achieve market impact and achieve national leadership positioning in select strategic services
- **Margin for Innovation** – Maintenance of a solid foundation to support national recognition as a leader in health delivery, sciences, and insurance innovation

In support of these objectives, the Plan outlines six strategic themes to leverage the System's unique strategic advantages in the market as the only integrated system providing tertiary-quaternary care in an academic environment, a domestic health plan and other provider risk capabilities, and a regionally distributed footprint across south-eastern and south-central Michigan. The graphic to the right depicts the Plan's six strategic themes.

Diversity, Equity, Inclusion, and Social Justice

The System is committed to addressing systemic racial, economic, and clinical barriers that influence social determinants of health, workforce culture, and community wealth building. In September 2021, the System's five-year Diversity, Equity, Inclusion, and Social Justice plan was approved by the System Board of Directors. With a Mission of "Equity for All," the plan is comprised of four pillars with targeted strategic outcomes and supporting macro-tactics to drive measurable results within the communities that the System serves.

The System has adopted a zero-tolerance stance for unjust social practices that threaten the equitable treatment of its patients, members, and visitors. The System is actively engaged in social justice advocacy efforts at the national, state, and local level. Select strategic outcomes may include voter access and participation at the national, state, and local levels; implicit bias training; behavioral health services in the System's school-based programs; and advocacy for the adoption of "Ban the Box" by other health care organizations in System markets.

The System strives to create an intentional culture of belonging, growth, education, and learning and is recognized for diverse and inclusive workforce practices and a leadership and governance model that reflects the diversity of its members, patients, and employees. The System has established goals focused on maintaining retention rates of under-represented minority talent across the organization and in Leadership. The System seeks to foster awareness through leadership training sessions that focus on inclusive culture and eliminating unconscious bias.

Diverse Workforce & Inclusive Culture

We commit to serving as a trusted leader in healthcare with a broadly diverse workforce who feel valued, respected and a shared sense of belonging to the Henry Ford Health System community.

This pillar will focus on identifying root causes of health disparities and aligning support for community resources to address them and advocate for programs that promote healthy choices. Recognizing the impact of discrimination and disinvestment on community wealth building and sustainability, this pillar will also advocate for resources that promote mobility, access, opportunity, and health, while leveraging the System's purchasing power to generate economic opportunities for diverse and women-owned businesses.

Community Empowerment

We commit to fostering effective partnerships and collective action that creates and sustains health in historically marginalized communities.

As a proven leader eliminating healthcare disparities, the System will provide patients with access to tools such as screenings and resource mapping that address social needs while overcoming socioeconomic barriers that contribute to health disparities. The System will develop best practices in research and education that will provide knowledge and insight on the systemic roots of inequities and create opportunities for diverse innovation and research.

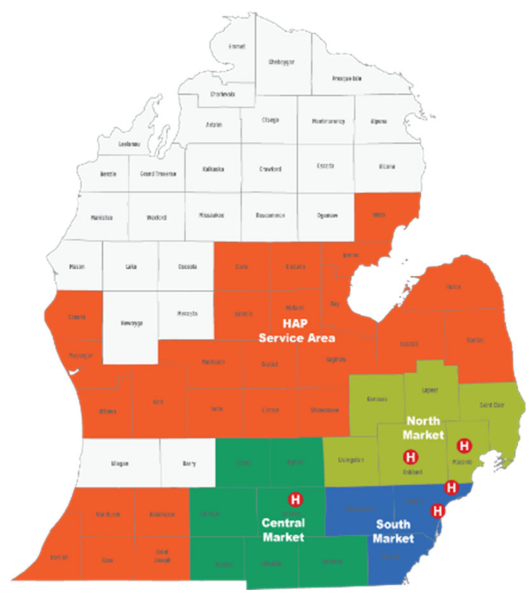
Healthcare Equity

We commit to achieving equity in clinical outcomes and experience to empower patients to achieve optimal health and well-being.

Service Area

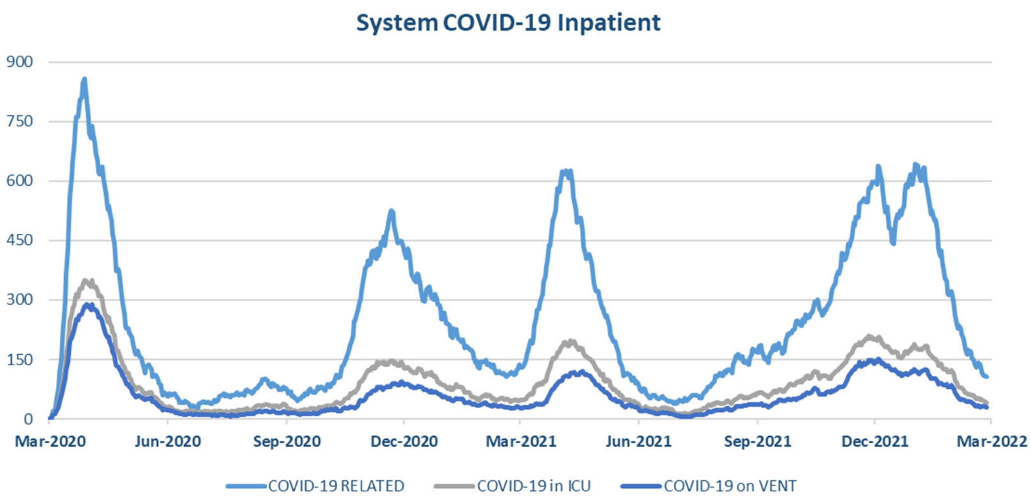
The System defines its primary service area by major markets: the North Market, the South Market, and the Central Market. The North Market includes Oakland and Macomb Counties; the South Market includes Wayne County, which encompasses the city of Detroit, and the eastern half of Washtenaw County; and the Central Market includes Jackson County and portions of all surrounding counties.

The map shows the System's provider and health plan service area, as well as acute care facilities.



THE CORONAVIRUS IMPACT AND RESPONSE

Addressing the impact of COVID-19 on its community has been a priority for the System, from the admission of its first COVID-19 patient in early 2020, throughout 2021, with ongoing implications expected to continue throughout 2022. In 2021 the System's volume of COVID-19 admitted patients initially showed a steady decrease until a third surge began in March and continued through June. In the second half of 2021, the System experienced a steady increase in COVID-19 cases associated with both the Delta and Omicron variants.



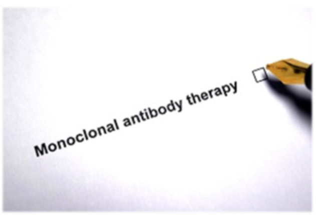
Driven by the economic impact of COVID-19, front line clinical and support staff labor shortages increasingly impacted System operations in 2021. This has required reliance upon premium pay practices and use of higher-cost temporary and contract labor to maintain these essential workers. Labor disruptions are expected to persist through the duration of the pandemic and throughout 2022.

The System continues to monitor patient and member utilization information to support estimating the impact of COVID-19 on operations and financial performance. We believe that our cash resources, borrowing capacity, and cash flows generated from operations will continue to be sufficient to withstand the financial impact of the pandemic, and will enable us to continue to support our operations, regulatory requirements, debt repayment obligations, and capital expenditures for the foreseeable future.

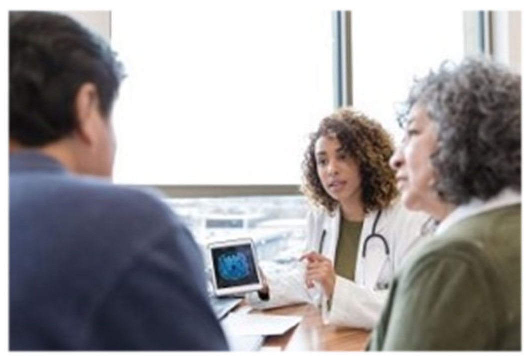
The System took the market leading position of requiring all team members and medical staff, students, volunteers, and contractors to be fully vaccinated by September 10, 2021. The System reported that 99 percent of its workforce were compliant with its COVID-19 vaccination requirement. This figure means team members were either fully vaccinated, on the way to completing a two-dose regimen, or received an approved medical or religious exemption.

The System believes that the knowledge gained regarding effective and safe clinical practices and treatment protocols and the increasing level of vaccination and immunity amongst our team members and the community positioned the System well to protect our staff and patients from virus transmission and to maintain full scope operations.

During 2021, the System served as the U.S. Department of Health and Human Services anchor network partner for the monoclonal antibody (mAb) program in southeast and southcentral Michigan. Under this partnership, the System expanded availability of mAb by opening an infusion center in southwest Detroit at Community Health and Social Services, a federally qualified health center whose physician services are contracted through the System and expanding programs at three of its hospitals that care for patients in underserved communities.



In April 2021, the System established a specialty clinic to treat COVID-19 and other patients who have lingering cognitive, emotional, and mental health conditions after being hospitalized in the intensive care unit. As an increasing number of COVID-19 patients recover and are discharged from the hospital, it is anticipated that many will need long-term help getting back to a normal state of physical and mental well-being. The System's Post ICU Brain Health Clinic opened recently at the neuropsychology centers in Detroit and West Bloomfield. Clinic staff conduct evaluations, make recommendations for treatment, and provide resources focusing on patients aged 55 and older who continue to experience cognitive, behavioral, or psychiatric symptoms. In addition, services are offered to caregivers that provide new tools and strategies for caring for and supporting their loved one, along with home health visits to assist patients with using telemedicine.



COVID-19 Provider Relief Funds (PRF)

As a result of the COVID-19 pandemic, federal and state governments have passed legislation intended to assist health care providers in providing care to COVID-19 and other patients during the public health emergency. Sources of relief include the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), which was enacted on March 27, 2020, the Paycheck Protection Program and Health Care Enhancement Act, which was enacted on April 24, 2020, and the Consolidated Appropriations Act, 2021 (CAA), which was enacted on December 27, 2020. Together, these acts include $178 billion in funding to be distributed through the Public Health and Social Services Emergency Fund ("Provider Relief Fund" or PRF).

On March 11, 2021, President Biden signed into law the American Rescue Plan Act of 2021 (ARPA), a $1.9 trillion COVID-19 relief package, which includes a number of provisions that affect hospitals and health systems. The primary focus of these programs relates to rural health care providers, incentives for states which have not already acted to expand Medicaid programs, health insurance premium subsidies for qualifying individuals and families, and supplemental funding toward COVID-19 vaccines, treatment, and personal protective equipment (PPE).

During the year ended December 31, 2020, the System recorded $397.5 million in other revenue related to the PRF, Federal Emergency Management Agency (FEMA), and state grant programs. The System recorded an additional $37.1 million in COVID-19 relief funds during 2021. Payments from these programs are grants with various terms and conditions associated with acceptance. In general, these are designed to compensate health care providers for the impact of lost revenues and/or repay costs directly associated with COVID-19.

The System continues to pursue all COVID-19 relief opportunities and has outstanding reimbursement requests to FEMA for costs related to 2021 and 2020 totaling $97.8 million. These are in varying states of the FEMA validation process, the results and timing of which cannot be reasonably estimated at this time. The System plans on submitting additional applications through the end of the emergency period and anticipates that ongoing recoveries under FEMA will be the most significant source of COVID-19 relief during 2022.

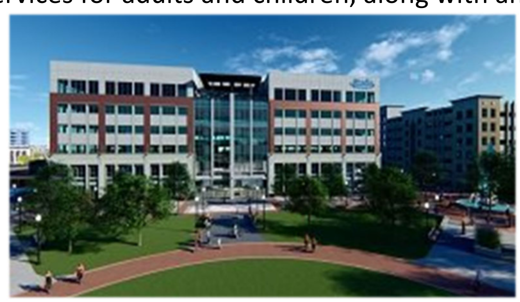
SYSTEM HIGHLIGHTS

The following represents a sample of the awards, honors, clinical achievements, and strategic growth developments from 2021:

Growth and Excellence

- The Henry Ford Cancer Institute opened the doors of the new Brigitte Harris Cancer Pavilion on January 20, 2021. Connected to Henry Ford Hospital (HFH) by the Nancy Vlasic Skywalk over West Grand Boulevard, the new cancer pavilion is a global destination for seamless and integrated cancer care, bringing together the newest and most innovative treatment options, including specialty clinics for 14 different types of cancer, precision medicine, clinical trials, and supportive services. The new pavilion was made possible through the generosity of Detroit businessman and philanthropist, Mort Harris, who donated $20 million to the System in December 2016 in honor of his late wife, Brigitte. The $20 million gift was in addition to a separate $20 million gift from Harris to support the System's precision medicine, brain cancer, and pancreatic cancer programs.

- In November 2021, the state-of-the-art Henry Ford Medical Center opened in downtown Royal Oak. The new medical center offers a wide range of specialty care services for adults and children, along with an outpatient surgery center, radiology and lab services, and an onsite pharmacy. This facility is designed around the patient with thoughtful clinic design, digital signage, larger exam rooms that are designed for a comfortable visit, and the ease of having all the services you need in one location. Patients will have access to not only their team of doctors and seven-day-a-week walk-in clinic, but also a full complement of specialty providers, outpatient surgical care, lab, and pharmacy.



- Henry Ford Macomb Hospital is undergoing the largest expansion and renovation in its history with a new five-story, 225,000-square-foot addition featuring 160 private patient rooms that can be converted to manage critically ill patients on par with an Intensive Care Unit. Inpatient units in the existing hospital also will be renovated to create spacious private rooms. Once completed, this $318 million project, the largest healthcare investment in the county's history by a health system, will transform the hospital campus for years to come as the county's first hospital to provide all 361 of its licensed beds as private rooms for the safety and convenience of patients. The hospital will remain fully operational throughout the expansion and renovation.

- The System and Michigan State University 30-year partnership continues to progress toward its initial milestones. These include aligning efforts across key departments and programs to achieve critical health care and educational goals, while addressing social issues that impact health outcomes for patients in Michigan and beyond. Key components include establishing a new joint Health Sciences Center that aligns basic and translational research, fueling innovation and discovery through an academically and clinically integrated network of health care providers, scientists, academicians, and public health practitioners.

- The System and GoHealth Urgent Care, an on-demand consumer-centric care company, announced a new partnership to operate urgent care centers across southeastern Michigan. Three existing Macomb Urgent Care centers will transition to the new joint venture in early 2022, and multiple new sites are expected to open in 2022 across southeast Michigan. Henry Ford-GoHealth Urgent Care will provide southeastern Michigan communities with accessible and high-quality urgent care. Customers will be able to walk in or go online to check wait times, save their spot online and preregister, ensuring they can see a high-quality clinical provider quickly and effortlessly, virtually or in person. The centers will treat patients ages six months and older, providing comprehensive urgent care for non-life-threatening illnesses or injuries, on-site X-ray services and COVID-19 evaluation and testing.

- The System announced a new partnership with the nation's leading operator of high-acuity home care, Contessa, an Amedisys company. The joint venture's high-acuity home care offering includes Hospital Care at Home, Skilled Nursing Care at Home, and Palliative Care at Home, which brings all the essential elements of hospital, rehabilitation, and medical care for skilled nursing patients and broader palliative care services into the comfort of patients' homes. This first-for-Michigan at-home option is proven to decrease costs and improve outcomes for enrolled patients. Hospital Care at Home is for patients with a variety of acute conditions, who would otherwise be admitted to the hospital. Under the program, eligible patients will have the option to choose to have their care provided from the comfort and convenience of their home through a combination of in-person and virtual care.

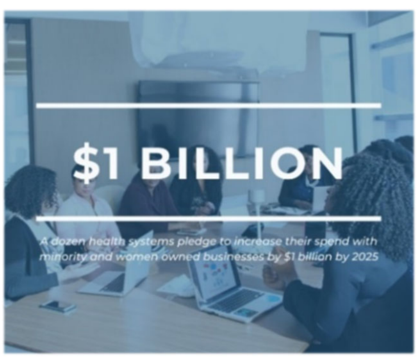
- Work continues on construction of a new state-of-the-art behavioral health facility on the campus of Henry Ford West Bloomfield Hospital (HFWB). Through the System's joint venture with Acadia Healthcare Company, Inc., this facility will address the growing need for accessible, high-quality behavioral health services in Detroit and the surrounding counties. The new hospital, which is slated to open in late 2023, will accommodate 192 beds with the potential to expand to meet future demand for inpatient services in the area.

- With a clinical care base representing more than 16% of the nation's total clinical care, the System and the 19 other venture partners in Truveta are leveraging data insights to empower and educate health communities as to the most effective approaches to patient care. In partnership with LexisNexis Risk Solutions, Truveta is working to move the needle towards more equitable care delivery and capacity to address the social and economic deterrents to health.

Innovation and Leadership

- In July 2021, in a move to add more American producers, the System and other healthcare partner members of Premier Inc., committed to purchasing a percentage of their annual supply of exam gloves from Honeywell International Inc. for the next five years and pledged to Buy American for other PPE. The System committed to purchase 18.5 million each of the nitrile gloves, about 20% of its overall annual usage. The goal is to safeguard against future breakdowns in the supply chain due to uncontrollable or catastrophic situations and avoid shortages like the ones experienced by healthcare organizations during the pandemic due to reliance on overseas PPE producers. Additionally, the System and its partners are committed to Premier Inc.'s Buy American purchasing effort to boost onshore production of gowns, masks, and other products by providing scale and financial incentives.

- With the economic fallout of COVID-19 hitting small businesses and their communities especially hard, the System and 11 other health systems have signed an "Impact Purchasing Commitment" backed with a joint $1 billion pledge to increase spending on local, minority, women-owned, and other small businesses and enterprises. The goal is to leverage health systems as anchor institutions in their communities to help build and support healthy, equitable, climate-resilient local economies, and improve overall community health and wealth. The institutions also agree to work with at least two of their large existing vendors to create hiring pipelines in the disinvested communities that they serve.



- HFH was recertified in February 2021 by The Joint Commission as a Comprehensive Stroke Center, the highest distinction of its kind, which recognizes hospitals that have the ability to receive and treat the most complex stroke cases. The certification is backed by the System's Stroke Interdisciplinary Team, as well as the Ford Acute Stroke Treatment Team or FAST Team, which can rapidly evaluate a patient with suspected stroke at any Henry Ford Emergency Department and determine in minutes if the patient should be sent to HFH for advanced surgical or catheter-based treatments.

- HFWB earned recertification as a Thrombectomy-Capable Stroke Center from The Joint Commission, an independent, not-for-profit organization that accredits and certifies more than 22,000 healthcare organizations and programs in the United States. To earn this recertification, HFWB met all requirements for The Joint Commission's Primary Stroke Center certification, plus additional requirements for the mechanical thrombectomy.

- Henry Ford Maplegrove Center was designated as a Cigna Center of Excellence for Substance Use. The designation recognizes top performing addiction recovery centers that provide patients with quality care, an exceptional experience and cost efficiency. The Center of Excellence program evaluates patient outcomes and cost data for network-participating providers. Facilities can receive a score of up to three stars for patient outcomes and three stars for cost efficiency. This designation is only provided to programs achieving 5 or more stars.

- The System took telemedicine technology to a new level, allowing doctors to remotely look inside a patient's throat and ears, listen to their heart and lungs, examine skin conditions, and more. Approved for use by the Food and Drug Administration, the Tyto Care™ technology is a hand-held device connecting through a smartphone to the telemedicine visit and My Chart. Most insurance companies, including HAP, allow patients to cover the cost through flexible savings account or health savings accounts.

- In September 2021, each of the System's five hospitals earned Gold Plus and Honor Roll status for stroke care excellence from the American Heart Association and American Stroke Association. This top-quality achievement recognizes the hospitals' commitment to ensuring stroke patients receive the most appropriate and timely treatment based upon nationally recognized, research-based guidelines grounded in the latest scientific evidence. These measures include evaluation of the proper use of medications and other stroke treatments with the goal of reducing death and disability for patients. Before discharge, patients also receive education on managing their health, get a follow-up visit scheduled, as well as other interventions to improve care transitions.

- The System unveiled custom art pieces in late October 2021 that reflected and celebrated the diversity of its team members and their unique experiences through the COVID-19 pandemic. This project, made possible through the System's COVID-19 Relief Fund, is part of the System's ongoing efforts and initiatives to provide direct emotional support for team members. Throughout the creation process, artists engaged with System team members to understand what they have endured both personally and professionally through the pandemic. Their collective experiences were infused into the resulting work, which was installed and prominently displayed throughout System locations. More than 100 artists or artist teams responded to a public call for proposals. The artists selected worked in a range of mediums, including textile, collage, and ceramics.

- The System named four new members to its Board of Directors whose leadership in business and dedication to removing barriers to opportunity and achieving equity for all reflect the System's commitment to advancing the values of inclusion, equity, and diversity in our community. The addition of John F. Harris, J.D., Patricia Maryland, Dr. PH, Frederiek Toney and Andrea Zopp expands the total membership of the Board to 17 members. Of these, seven members are people of color and six are women. Each of the new board members bring to the System diverse and accomplished backgrounds in healthcare, the automotive industry and finance, as well as a life-long commitment to service. The Board is responsible for the fiduciary and governance oversight of the health system, including financial and management performance, strategic planning, and community relations advocacy.

MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis is intended to provide a high-level overview of the System's consolidated financial performance for the year ended December 31, 2021, with comparable prior-year information, including operational highlights. This document includes certain forward-looking comments based on management's beliefs; actual results could differ materially.

Summary of Operating Results

The System reported a consolidated operating loss of $168 million for the year ended December 31, 2021, on consolidated revenue without donor restrictions of $6.8 billion, providing an operating margin of -2.5%. Operating income before interest, depreciation, and amortization totaled $89 million.

Excluding the impact of the net cost of COVID-19 ($223 million) and net premium deficiency reserve ($70 million), the System would have reported 2021 net operating income of $125 million, providing an operating margin of 1.8%. Operating income before interest, depreciation, and amortization would have been $382 million. The System estimates net COVID-19 cost of $223 million by reducing estimated COVID-19 direct costs of $260 million by COVID-19 relief funds of $37 million. Net premium deficiency of $70 million is defined as 2021 reserve of $76 million offset by the reversal of the 2020 reserve of $6 million.

The table below summarizes these margins and includes a comparison to 2020 and a combined 2021 and 2020 view.

2021 financial performance reflects the System's continued work though its "System Redesign & Transformation" program, with the goal of achieving increased value by deploying projects targeting population health management, greater integration across the care continuum, improved access for customers, and enhanced corporate and support services. The estimated value of improvements through this program in 2021 was $131 million, overshadowed by the combined impacts of COVID-19.

System Revenue

Total consolidated revenue without donor restrictions was $6.8 billion (including $37 million in COVID-19 relief funds) for the year ended December 31, 2021, up $304 million (4.7%) from the year ended December 31, 2020. Excluding COVID-19 relief funds, the increase was $664 million (10.9%). The System recognized consolidated net patient service revenue of $4.2 billion and consolidated health care premium revenue of $2.1 billion for the year ended December 31, 2021. Consolidated revenues associated with health care services provided by the System to members of its capitated insurance products are included in health care premium revenue. Consolidated net patient service revenue reflects amounts recognized from all other payors and patients.

SYSTEM REVENUES ($ in millions)	12/31/2021	12/31/2020
Net patient service revenue:		
Net patient service revenue before eliminations	$ 5,027	$ 4,364
Intercompany transactions eliminated	(785)	(698)
Net patient service revenue	4,242	3,666
Health care premiums	2,061	1,990
Other revenue	503	846
Total revenue without donor restrictions	$ 6,806	$ 6,502

Consolidated net patient service revenue increased $576 million or 15.7% for the year ended December 31, 2021, compared to the year ended December 31, 2020. This was primarily due to volume increases, as seen in the statistics below, which reflect recovery from COVID-19 pandemic-induced reductions in volume in 2020.

SYSTEM UTILIZATION STATISTICS	Increase (Decrease) from YTD 2020 to 2021
Discharges (excluding newborns)	2.0 %
Emergency room visits	8.2 %
Inpatient surgeries	5.0 %
Outpatient surgeries	20.0 %
Observation cases	(4.1)%
Virtual visits	(16.8)%
Total outpatient visits (including emergency room, surgeries and virtual visits)	11.2 %

Consolidated health care premium revenue increased $71 million or 3.6% for the year ended December 31, 2021, compared to the year ended December 31, 2020. This increase was primarily due to increased Medicare Advantage and Medicaid membership, partially offset by reductions in group insured commercial membership.

HAP COVERED LIVES		
By Product	**12/31/2021**	**12/31/2020**
Self Funded	155,471	165,180
Group Insured Commercial	140,842	143,815
Network Leasing	12,028	106,666
Medicare Advantage	82,701	78,813
Medicaid	28,606	20,310
Individual	6,456	6,569
Dual Eligible	4,515	4,682
Total	430,619	526,035

Consolidated other revenue decreased $343 million or 40.6% for the year ended December 31, 2021, compared to the year ended December 31, 2020. This was primarily the result of $398 million in COVID-19 relief funds received in the year ended December 31, 2020, compared to the $37 million received in 2021. This was partially offset by operating investment gains on funds designated for malpractice and general liability and deferred compensation.

System Expenses

Consolidated total expenses increased by $698 million (11.1%) for the year ended December 31, 2021, compared to the year ended December 31, 2020. Following are explanations for the most significant components.

SYSTEM EXPENSES ($ in millions)	12/31/2021	12/31/2020
Salaries, wages, and employee benefits	$ 3,001	$ 2,778
Health care provider expense	1,407	1,163
Supplies	1,327	1,148
Other	1,239	1,188
Total expenses	$ 6,974	$ 6,277

Consolidated salaries, wages, and employee benefits increased by $223 million (8.0%) for the year ended December 31, 2021, compared to the year ended December 31, 2020. In addition to the routine annual wage program, three areas represent nearly 40% of this increase: temporary agency staffing to maintain access to care during the pandemic ($48 million), targeted programs to retain and recruit frontline clinical staff ($32 million), and the impact of the living wage program implemented in late 2020 ($6 million). Frontline clinical and support staff labor pressures are expected to impact the System into 2022. Strategies are being implemented to mitigate these in the near and longer term.

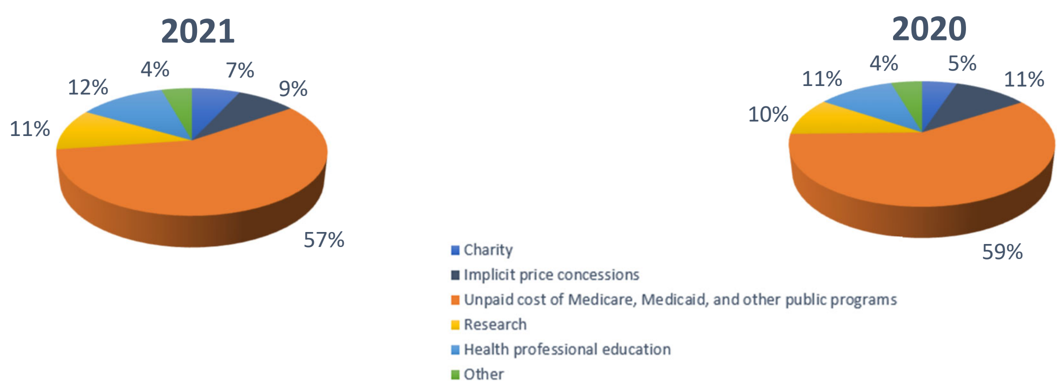
Consolidated health care provider expense increased by $244 million (21.0%) for the year ended December 31, 2021, compared to the year ended December 31, 2020. The increase can be attributed to the premium deficiency reserve increase of $64 million based on the expected level of medical costs exceeding unearned premiums, increased claim cost for treatment and testing associated with the pandemic ($19 million) and increased utilization from members who deferred care during the early stages of the pandemic.

Consolidated supplies expense increased $180 million (15.7%) for the year ended December 31, 2021, compared to the year ended December 31, 2020. Major contributing factors include changes in the volume, mix, and acuity of patient services, increased elective cases, and continued costs of supplies related to COVID-19. Although the global supply chain remains disrupted across industries, pricing changes to date have not significantly impacted operations. The System aggressively worked to minimize the impact of inflation during 2021. We anticipate pricing, product shortages, and delays may change in the near and intermediate term.

Consolidated general and other administrative expenses increased $17 million (4.4%) for the year ended December 31, 2021, compared to the year ended December 31, 2020, primarily due to increased provider tax expense aligning with increased revenue.

Uncompensated Care and Community Benefits

The System incurred $667 million of uncompensated care for the year ended December 31, 2021, compared to $645 million in the prior year. The main contributor to the increase in unpaid costs of Medicare, Medicaid, and other public programs is a return of much of the volume decrease experienced in 2020. Because Medicare and Medicaid contribution margins are negative, the increased volumes increase the unpaid cost of these services. The implementation of a sliding scale for charity qualification in the last quarter of 2020 is the primary contributor to the increase in the cost of charity and decrease in the cost of implicit price concessions as compared to 2020. Other categories of community benefit activity aggregated $250 million and $220 million for the years ended December 31, 2021 and 2020, respectively. Costs include unreimbursed costs for health professional education, research, and other community services and the increases are due to a return of the volume decrease experienced in 2020.



Nonoperating Items

Investment Performance

The System maintains significant investments, including cash and cash equivalents, short-term investments, and long-term investments. Consolidated investment return, net recognized during the year ended December 31, 2021, was $233 million compared to consolidated investment return, net of $196 million recognized during the year ended December 31, 2020. The increase in consolidated investment return, net is consistent with market trends attributed to the economy reopening in 2021 and the System’s enterprise risk management framework.

Consolidated Balance Sheets

Days Cash on Hand

Total System days cash at December 31, 2021, totaled 182 days compared to 206 days at December 31, 2020. The decrease in days cash resulted from higher operating expenses per day coupled with repayments of Medicare accelerated payments received in 2020, partially offset by the increase in investment earnings.

DAYS CASH ON HAND ($ in millions)	12/31/2021	12/31/2020
Cash and cash equivalents	$ 837	$ 1,237
Short-term investments	46	31
Long-term investments	1,803	1,538
Assets limited as to use:		
The Foundation	409	363
Funds designated for deferred compensation	250	219
Funds board-designated for research, education, and other	27	28
Total funds without restrictions [A]	$ 3,372	$ 3,416
Total operating expenses *(excluding depreciation and amortization)* [B]	$ 6,760	$ 6,070
Total operating expenses per day ([B] /365 for 2021 and 366 for 2020) = [C] *(excluding depreciation and amortization)*	$ 19	$ 17
Days cash on hand [A] / [C]	182	206
Total funds without restrictions to total debt	273 %	298 %

Long-Term Obligations

The following table sets forth the System's capitalization as of December 31, 2021 and 2020:

SYSTEM CAPITALIZATION ($ in millions)	12/31/2021		12/31/2020	
Series 2016 Bonds[1]	$	819	$	836
Series 2019A Bonds[1]		228		228
Bank term loan		-		35
Short term borrowings[2]		35		-
Other obligations[3]		3		4
Financing lease payable		152		44
Total debt[4]	$	1,237	$	1,147
Total net assets without donor restrictions	$	2,772	$	2,646
Total capitalization	$	4,009	$	3,793
Total debt / total debt capitalization		31%		30%

(1) Par amount of bonds outstanding. Does not include unamortized premium or deferred issuance costs on the bonds

(2) Borrowing on line of credit

(3) Includes mortgages

(4) Includes current portion of long-term debt

The following is a summary of the System's lines of credit facilities at December 31, 2021:

SYSTEM LINES OF CREDIT ($ in millions) Facilities at 12/31/2021		Expiration
$	75	April 19, 2022
	100	May 24, 2022 [5]
	150	May 25, 2023
	100	April 28, 2024
	100	April 30, 2024
$	525	

(5) The System drew $35 million on this line in Q3-21

Care Delivery and Insurance Operations

Net operating (loss) income for the years ended December 31, 2021 and 2020, are reflected in the tables below:

SYSTEM NET OPERATING (LOSS) INCOME ($ in millions)

	Care Delivery	Insurance Operations	Eliminations	Before Net COVID-19 & PDR	Net COVID-19	PDR	Consolidated
December 31, 2021							
Operating Revenue	$ 5,514	$ 2,140	$ (885)	$ 6,769	$ 37	$ -	$ 6,806
Operating Expenses	5,408	2,119	(883)	6,644	260	70	6,974
Operating (Loss) Income	$ 106	$ 21	$ (2)	$ 125	$ (223)	$ (70)	$ (168)
December 31, 2020							
Operating Revenue	$ 4,804	$ 2,073	$ (772)	$ 6,105	$ 397	$ -	$ 6,502
Operating Expenses	4,894	1,918	(770)	6,042	228	6	6,276
Operating (Loss) Income	$ (90)	$ 155	$ (2)	$ 63	$ 169	$ (6)	$ 226

Utilization

SYSTEM UTILIZATION STATISTICS

	12/31/2021	12/31/2020
Licensed beds (including skilled nursing facility beds)	2,404	2,472
Available beds	2,017	2,065
Discharges (excluding newborns)	101,537	99,523
Patient days (excluding newborns)	558,520	525,502
Length of stay (excluding newborns)	5.50	5.28
All payor case mix index	1.86	1.83
Inpatient emergency room visits	57,636	56,563
Outpatient emergency room visits	325,463	297,513
Inpatient surgeries	19,000	18,103
Outpatient surgeries	52,412	43,671
Observation cases	28,256	27,146
Total outpatient visits (including emergency room, surgeries and virtual visits)	6,997,821	6,291,494

Debt Service Coverage Ratio

Maximum Debt Service Coverage Ratio

MAXIMUM DEBT SERVICE COVERAGE RATIO ($ in millions)	12/31/2021	12/31/2020
Excess of revenue over expenses	$ 41	$ 422
Adjusted by:		
Depreciation and amortization	214	206
Unrealized gains on securities	(171)	(192)
Interest expense	43	37
Pension settlement costs	17	7
Income available for debt service	$ 144	$ 480
Maximum annual debt service	$ 77	$ 73
Maximum debt service coverage ratio	1.9	6.6

CONSOLIDATED FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2021 and 2020

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Audit Committee of the Board of Trustees
Henry Ford Health System
Detroit, Michigan

Opinion

We have audited the consolidated financial statements of Henry Ford Health System and affiliates (the "System"), which comprise the consolidated balance sheets as of December 31, 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 (collectively referred to as the "financial statements").

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Other Information Included in the Annual Financial Reporting Package

Management is responsible for the other information included in the annual financial reporting package. The other information comprises the information included in the annual financial reporting package but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Deloitte + Touche LLP

March 14, 2022

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2021 AND 2020
(In thousands)

	2021	2020
ASSETS:		
CURRENT ASSETS:		
Cash and cash equivalents	$ 836,940	$ 1,237,306
Short-term investments	46,273	30,502
Patient care receivables	451,416	417,762
Health care premium receivables	20,989	14,230
Due from third-party payors	74,644	39,797
Other current assets	369,891	325,566
Current portion of assets limited as to use	53,005	47,854
Total current assets	1,853,158	2,113,017
LONG-TERM INVESTMENTS	1,802,668	1,538,379
ASSETS LIMITED AS TO USE	1,070,078	960,363
INVESTMENTS IN UNCONSOLIDATED ENTITIES	33,596	30,330
INTANGIBLE AND OTHER ASSETS—Net	45,521	49,158
GOODWILL—Net of accumulated amortization of $28,577 in 2021 and 2020	22,562	22,562
RIGHT OF USE—OPERATING LEASE ASSETS	179,019	183,425
RIGHT OF USE—FINANCING LEASE ASSETS	140,000	42,619
PROPERTY, PLANT, AND EQUIPMENT—Net	1,639,999	1,616,271
TOTAL ASSETS	$ 6,786,601	$ 6,556,124

(Continued)

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2021 AND 2020
(In thousands)

	2021	2020
LIABILITIES AND NET ASSETS:		
CURRENT LIABILITIES:		
Short term borrowings	$ 34,685	$ -
Accounts payable	398,906	328,057
Due to third-party payors	105,279	96,001
Medical claims liability	230,021	191,576
Other liabilities and accrued expenses	783,572	552,378
Current portion of long-term obligations	17,952	51,751
Current portion of malpractice and general liability	33,320	29,968
Current portion of operating lease liabilities	26,055	26,639
Current portion of financing lease liabilities	2,720	3,837
Total current liabilities	1,632,510	1,280,207
DEFERRED COMPENSATION, POSTRETIREMENT, AND OTHER LIABILITIES	413,209	784,917
LONG-TERM OBLIGATIONS	1,130,722	1,154,192
MALPRACTICE AND GENERAL LIABILITY	148,028	147,869
LONG-TERM OPERATING LEASE LIABILITIES	165,782	169,542
LONG-TERM FINANCING LEASE LIABILITIES	149,113	39,722
Total liabilities	3,639,364	3,576,449
NET ASSETS:		
Without donor restrictions:		
Henry Ford Health System	2,768,864	2,642,574
Noncontrolling interests	3,341	3,653
Total net assets without donor restrictions	2,772,205	2,646,227
With donor restrictions	375,032	333,448
Total net assets	3,147,237	2,979,675
TOTAL LIABILITIES AND NET ASSETS	$ 6,786,601	$ 6,556,124

See notes to consolidated financial statements. (Concluded)

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In thousands)

	2021	2020
REVENUE WITHOUT DONOR RESTRICTIONS:		
Net patient service revenue	$ 4,241,660	$ 3,665,855
Health care premiums	2,061,291	1,990,065
Other revenue	503,046	846,228
Total revenue without donor restrictions	6,805,997	6,502,148
EXPENSES:		
Salaries, wages, and employee benefits	3,000,790	2,777,562
Health care provider expense	1,406,752	1,162,794
Supplies	1,327,285	1,147,508
General and other administrative	406,423	389,148
Other contracted services	333,017	306,221
Depreciation and amortization	214,308	206,360
Repairs and maintenance	67,981	66,239
Rent and lease	60,301	61,008
Plant operations	59,166	56,878
Malpractice	55,139	65,569
Interest expense	43,055	37,227
Total expenses	6,974,217	6,276,514
OPERATING (LOSS) INCOME	(168,220)	225,634
NONOPERATING ITEMS:		
Investment return, net	232,649	195,852
Other components of net periodic pension (cost) benefit	(23,627)	813
Total nonoperating items	209,022	196,665
EXCESS OF REVENUE OVER EXPENSES	40,802	422,299
LESS EXCESS OF REVENUE OVER EXPENSES ATTRIBUTABLE TO NONCONTROLLING INTERESTS	1,367	2,052
EXCESS OF REVENUE OVER EXPENSES ATTRIBUTABLE TO HENRY FORD HEALTH SYSTEM	$ 39,435	$ 420,247

(Continued)

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In thousands)

	2021	2020
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Excess of revenue over expenses from consolidated operations	$ 40,802	$ 422,299
Net assets released from restrictions for capital	7,182	7,395
Distributions to noncontrolling interests	(1,679)	(1,716)
Pension and other postretirement net adjustments	79,673	(14,490)
Increase in net assets without donor restrictions	125,978	413,488
NET ASSETS WITH DONOR RESTRICTIONS:		
Return on restricted investments, net	37,133	28,219
Contributions and other	88,727	106,248
Net assets released from restrictions for operations	(77,094)	(70,211)
Net assets released from restrictions for capital	(7,182)	(7,395)
Increase in net assets with donor restrictions	41,584	56,861
TOTAL INCREASE IN NET ASSETS	167,562	470,349
TOTAL NET ASSETS—Beginning of year	2,979,675	2,509,326
TOTAL NET ASSETS—End of year	$ 3,147,237	$ 2,979,675

See notes to consolidated financial statements. (Concluded)

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In thousands)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	$ 167,562	$ 470,349
Adjustments to reconcile increase in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	214,308	206,360
Pension and other postretirement net adjustments	(79,673)	14,490
Amortization of bond premium and deferred debt issue costs	(5,678)	(5,567)
Loss (gain) on sale or disposal of assets	2,605	(237)
Return on restricted investments	(37,133)	(28,219)
Restricted contributions and grants	(88,727)	(106,248)
Net realized and unrealized gains on investments	(262,041)	(228,476)
Distributions to noncontrolling interests	1,679	1,716
Change in assets and liabilities:		
Patient and health care premium receivables	(40,413)	19,372
Other current assets	(44,325)	(67,479)
Assets limited as to use	(77,824)	(7,273)
Investments in unconsolidated entites	978	(3,548)
Other assets	365	(235)
Accounts payable	70,219	(6,994)
Other liabilities	(77,382)	527,306
Due to/from third-party payors	(25,569)	21,079
Medical claims liability	38,445	32,985
Malpractice and general liability	3,511	37,667
Net cash (used in) provided by operating activities	(239,093)	877,048
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property	(230,159)	(221,328)
Proceeds from the sale or maturity of securities	1,288,162	468,264
Purchases of securities	(1,319,814)	(661,538)
Investments in unconsolidated entites	(4,244)	(3,119)
Net cash used in investing activities	(266,055)	(417,721)

(Continued)

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In thousands)

	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from short-term borrowings	$ 34,685	$ -
Proceeds from long-term obligations	1,932	55,216
Payments of long-term obligations	(51,768)	(17,725)
Payments of finance lease liabilities	(4,248)	(4,126)
Distributions to noncontrolling interests	(1,679)	(1,716)
Return on restricted investments	37,133	28,219
Restricted contributions and grants	88,727	106,248
Net cash provided by financing activities	104,782	166,116
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(400,366)	625,443
CASH AND CASH EQUIVALENTS—Beginning of year	1,237,306	611,863
CASH AND CASH EQUIVALENTS—End of year	$ 836,940	$ 1,237,306
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for interest, including amounts capitalized of $3,246 and $7,760 in 2021 and 2020, respectively	$ 48,252	$ 49,010
Amounts accrued in property, plant, and equipment—net	$ 5,413	$ 4,783
Unsettled investment trades	$ -	$ 67
Unsettled investment purchases	$ 854	$ 223
Cash paid for taxes	$ 2,718	$ 5,947

See notes to consolidated financial statements. (Concluded)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Dollars in thousands)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization

Henry Ford Health System (the "Corporation") and its affiliates (collectively, the "System") constitute a comprehensive health care system offering health care to the people of southeastern and south-central Michigan. The System provides medical, surgical, psychiatric, and rehabilitative services in inpatient and outpatient settings; conducts research activities; and engages in the education and training of residents, nurses, and allied health professionals. The System includes one of the nation's largest employed physician group practices. A significant portion of the System's revenues are derived through its health maintenance organization (HMO) and its subsidiaries.

The Corporation is a Michigan not-for-profit corporation with several subsidiary corporations, the most significant of which are Henry Ford Wyandotte Hospital (Wyandotte), Henry Ford Macomb Hospital Corporation (Macomb), Henry Ford Allegiance Health Group (AHG), Health Alliance Plan of Michigan (HAP), Henry Ford Health System Foundation (Foundation), and Onika Insurance Company, Ltd. (Onika).

Several subsidiaries also hold interests in other corporations. Amongst these are AHG's sole membership interest in W. A. Foote Memorial Hospital d.b.a. Henry Ford Allegiance Health (Allegiance Health), and HAP's holding in Administration Systems Research Corporation (ASR).

Joint venture interests include Foote Health Center Associates (86.37% ownership), Northwest Detroit Dialysis Centers (56.25% ownership), and Macomb Regional Dialysis Centers, L.L.C. (60% ownership), which are consolidated.

Basis of Presentation

The consolidated financial statements include the accounts of the System members as described above. The accounting and reporting policies of the System conform to accounting principles generally accepted in the United States of America (GAAP). All intercompany transactions have been eliminated. The preparation of the consolidated financial statements in conformity with GAAP requires that management make estimates and assumptions that affect the reported amounts. Actual results could differ from those estimates.

Operating and Nonoperating Activities

The System's mission is to improve people's lives through excellence in the science and art of health care and healing. The System provides a broad range of general and specialized health care services, including inpatient acute care, outpatient services, long-term care, and other health care services, in pursuit of this mission. Activities directly associated with the furtherance of this purpose are considered to be operating activities. Other activities that are not central to the System's primary mission, including investment return, net are considered to be nonoperating.

COVID-19 Pandemic

As a result of the COVID-19 pandemic, federal and state governments have passed legislation intended to assist health care providers in providing care to COVID-19 and other patients during the public health emergency. Sources of relief include the Coronavirus Aid, Relief, and Economic Security Act, which was enacted on March 27, 2020; the Paycheck Protection Program and Health Care Enhancement Act, which was enacted on April 24, 2020; and the Consolidated Appropriations Act, 2021, which was enacted on December 27, 2020. Together, these acts (COVID Acts) include $178.0 billion in funding to be distributed through the Public Health and Social Services Emergency Fund ("Provider Relief Fund" or PRF). The American Rescue Plan Act of 2021 (ARPA), a $1.9 trillion COVID-19 relief package, which includes a number of provisions that affect hospitals and health systems, was enacted March 11, 2021. Additionally, the Federal Emergency Management Agency (FEMA) provided reimbursement for COVID-19 related expenses.

Net Patient Service Revenue and Patient Care Receivables

Net patient service revenue is reported at the amount that reflects the consideration to which the System expects to be entitled in exchange for providing patient care. These amounts are primarily due from patients and third-party payors and include variable consideration for retroactive revenue adjustments due to a subsequent audit or review process. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the System. Generally, performance obligations satisfied over time relate to patients receiving inpatient services. The System measures the performance obligation from the point of hospital admission through discharge. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided, and the System does not believe it is required to provide additional goods or services to the patient. Generally, performance obligations satisfied at a point in time relate to outpatient services and pharmacy revenue.

Because the System's performance obligations relate to contracts with a duration of less than one year, it has elected to apply the optional exemption provided in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 606-10-50-14(a), *Revenue from Contracts with Customers,* and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. These unsatisfied or partially unsatisfied performance obligations are primarily related to inpatient services and the related contracts are generally completed upon discharge, which generally occurs shortly after the end of the reporting period.

The System determines the transaction price based on contractual terms for all services covered by insurance or in accordance with the System's policies with regard to uninsured patients. The System determines its estimate of implicit price concessions based on its historical collection experience with each class of patients using a portfolio approach as a practical expedient to account for patient contracts as a collective group rather than individually. The effects on the consolidated financial statements of using this practical expedient are not materially different from an individual contract approach.

Reimbursement from Third-Party Payors

Reimbursement from most payors for inpatient and outpatient services vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Revenues under traditional Medicare and Medicaid programs, as well as Blue Cross, are based primarily on prospective payment systems. For Medicare, retrospectively determined non-claims-based revenues, such as indirect medical education, direct graduate medical education, disproportionate share hospital payments, allied health education payments, organ acquisition, and bad debt expense reimbursement, are estimated using historical trends and current factors. These revenues are reported on Medicare cost reports, which are subject to audit by Medicare auditors and administrative and judicial review, prior to final settlement.

These settlements can take several years to resolve. Because the laws, regulations, instructions, and rule interpretations governing Medicare reimbursement are complex and change frequently, the estimates recorded could change in subsequent periods. Medicaid revenues have the potential to be reduced based on an upper payment limit calculated through the Medicaid cost report, which is subject to review and adjustment by Medicaid auditors. Blue Cross revenues are also subject to a final settlement, where auditors reprice claims based on settlement rates. These represent the major payors included in patient care receivables at December 31, 2021 and 2020. Revenues associated with health care services provided by the System to members of its HMO are included in health care premiums in the consolidated statements of operations and changes in net assets.

Settlements with third-party payors for retroactive adjustments are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and the System's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as new information becomes available or as years are settled.

Generally, patients covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The System estimates the transaction price for these patients and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense. Bad debt expense for the years ended December 31, 2021 and 2020, was not material to the consolidated financial statements.

Medicare advanced payments

The COVID Acts revised the Medicare accelerated payment program in an attempt to disburse payments to health care providers more quickly to mitigate the shortfalls due to delays in nonessential procedures. Recipients may retain the accelerated payments for one year from the date of receipt before recoupment commences, which will be effectuated by a 25% offset of claim payments for 11 months, followed by a 50% offset for the succeeding six months. At the end of the 29-month period, interest on the unpaid balance will be assessed at 4% per annum.

During the year ended December 31, 2020, the System received advances totaling $408,754. These advances are considered contract liabilities. Of the advances, $130,217 was included in other liabilities and accrued expenses, and the remaining $278,537 was included in deferred compensation, postretirement, and other liabilities at December 31, 2020. During 2021, the System repaid $123,666 of the advances and the remaining balance of $285,088 was included in other liabilities and accrued expenses at December 31, 2021.

Patient Financial Assistance

The System administers a patient financial assistance policy designed to provide financial assistance for uninsured patients as well as for insured patients with limited resources. For uninsured patients who meet the qualifications stipulated in the System’s patient financial assistance policy, emergency and other medically necessary inpatient and outpatient services are provided at no cost. For uninsured patients who do not qualify for financial assistance, the System offers a discounted rate that does not exceed 115% of Medicare payment rates. Insured patients with limited financial resources may qualify for a discount on self-pay balances.

Health Care Premiums

Premiums received in advance of the respective period of coverage are recognized as revenue ratably over the period of coverage. HAP has significant customer base concentrations in companies that are part of the automotive manufacturing industry and with Medicare beneficiaries.

Contributions

Contributions without donor restrictions are included in the consolidated statements of operations and changes in net assets as other revenue when received. Gifts of cash and other assets that are received with donor stipulations are included in the consolidated statements of operations and changes in net assets as contributions and other. Once the restrictions are satisfied, they are included in the consolidated statements of operations and changes in net assets as other revenue or net assets released from restrictions for capital. The System recognizes grant payments as income when the conditions associated with the grants have been substantially met.

COVID-19 Relief Grants

The System recorded $37,148 and $397,498 of other revenue from the PRF, ARPA, state and local grant programs, and FEMA during the years ended December 31, 2021 and 2020, respectively. Payments from the PRF are not loans and, therefore, they are not subject to repayment. However, as a condition to receiving distributions, providers must agree to certain terms and conditions, including, among other things, that the funds are being used for lost revenues and unreimbursed COVID-19 related costs as defined by the U.S. Department of Health and Human Services. As stated above, the System recognizes grant payments as income when the conditions associated with the grants have been substantially met.

Other Revenue

Other revenue includes assets released from restrictions; income from grants; provider relief funds; contract pharmacy revenue; administrative fees earned from HAP self-insured products; net returns on malpractice and deferred compensation investments; income on investments in unconsolidated entities, gains and losses on sales of assets; gift shop; cafeteria sales; parking garage fees; and other miscellaneous sources.

Premium Deficiency Reserves

A reserve for premium deficiency and related expenses is recognized when it is probable that expected future health care costs, under a group of existing contracts, will exceed future premiums and stop-loss coverage recoveries anticipated over the remaining term of the contracts. The methods of making such estimates and for establishing the resulting reserves are periodically reviewed and updated. Any adjustments resulting therefrom are reflected in current-period operations. Estimates in reserves are subject to the impact of changes in the regulatory environment and economic conditions. Given the inherent variability of such estimates, the actual liability could differ significantly from the amounts provided. As of December 31, 2021 and 2020, the System recorded a premium deficiency reserve in the amount of $75,550 and $6,000, respectively. This was recorded in health care provider expense in the consolidated statements of operations and changes in net assets and other liabilities and accrued expenses in the consolidated balance sheets.

Performance Indicator

The consolidated statements of operations and changes in net assets include the excess of revenue over expenses from consolidated operations. Changes in net assets without donor restrictions, which are excluded from the excess of revenue over expenses from consolidated operations, consistent with industry practice, include net assets released from restrictions for capital, distributions to noncontrolling interests (NCI), and pension and other postretirement net adjustments.

Net Asset Classifications

Net assets without donor restrictions—Net assets that are not subject to donor-imposed restrictions. These net assets may be used at the discretion of the System's management and the board of directors. See Note 5 for information about the amounts and purposes of board designations of net assets without donor restrictions.

Net assets with donor restrictions—Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature with restrictions, which will be met by the actions of the System or by the passage of time. Other donor restrictions are perpetual in nature and the donor has stipulated the funds be maintained by the System in perpetuity.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statements of operations and changes in net assets as other revenue or net assets released from restrictions for capital.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and liquid short-term investments (e.g., money market funds) with an original maturity of 90 days or less. Cash equivalents are stated at fair value, which approximates cost.

Short-Term Investments

Short-term investments consist primarily of fixed-income instruments with original maturities greater than 90 days and less than one year. Short-term investments are stated at fair value, which approximates cost.

Other Current Assets

Other current assets consist primarily of inventories, which are stated at the lower of cost (first-in, first-out) or market; prepaid expenses; and miscellaneous receivables.

Assets Limited as to Use

Assets limited as to use are reported at their estimated fair value and include:

- Resources for which the board of directors of the System has designated specific future uses.
- Funds with donor restrictions that arise through specific contributions to the System.
- Funds held by trustee.
- Funds held to satisfy statutory reserve requirements.

The dollar amount of these assets to be used to satisfy current liabilities has been classified as a current asset.

Investments and Investment Return, net

Investments, inclusive of invested assets limited as to use, include marketable debt and equity securities. Investments in debt and equity securities with readily determinable fair values are measured at fair value in the consolidated balance sheets. Hedge funds, commingled funds, private markets, and other investments structured as limited liability corporations and partnerships are valued at net asset value (NAV), as a practical expedient, which is calculated using the most recent consolidated financial statements. The System has classified all debt securities as trading.

Investment return, net includes interest, dividends, realized gains and losses, unrealized gains and losses, and expenses related to the management of the investments. Realized gains and losses on sales of investments as well as unrealized gains and losses are calculated using the specific-identification method and are included in investment return, net or return on restricted investments, net.

Investment Risks

Investment securities are subject to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in values in the near term could materially affect the amounts reported in the accompanying consolidated financial statements.

Fair Value of Financial Instruments

Fair value of financial instruments has been determined using available information and appropriate valuation methodologies. The fair value of assets is based on quoted market prices, dealer quotes, and prices obtained from independent sources. The fair value of liabilities is based on a discounted cash flows analysis, using interest rates currently available for the issuance of debt with similar terms and remaining maturities. Considerable judgment is required in certain circumstances to develop the estimates of fair value, and they may not be indicative of the amounts, which could be realized in a current market exchange.

Intangible and Other Assets

Intangible and other assets as of December 31, 2021 and 2020, consisted of the following:

	Carrying Amount	Accumulated Amortization	Net Book Value	Useful Life (Years)
December 31, 2021				
Definite-lived intangible assets:				
Customer relationships	$ 15,660	$ 11,497	$ 4,163	8–22
Provider relations	22,164	8,462	13,702	10–25
Medicaid contract	9,120	1,611	7,509	13
Reinsurance escrow	8,111	-	8,111	
Other	14,712	2,676	12,036	
Total	$ 69,767	$ 24,246	$ 45,521	
December 31, 2020				
Definite-lived intangible assets:				
Customer relationships	$ 15,660	$ 9,891	$ 5,769	8–22
Provider relations	22,164	7,533	14,631	10–25
Medicaid contract	9,120	910	8,210	13
Reinsurance escrow	10,131	-	10,131	
Other	13,057	2,640	10,417	
Total	$ 70,132	$ 20,974	$ 49,158	

Amortization expense on intangible assets was $3,272 and $3,691 for the years ended December 31, 2021 and 2020, respectively.

Estimated amortization expense on intangible assets for the next five years is as follows:

Years Ending December 31:	
2022	$ 3,061
2023	3,061
2024	1,813
2025	1,501
2026	1,501

Goodwill

The System evaluates goodwill for impairment as of September 30 of each year, unless conditions arise that would require a more frequent evaluation. In assessing the recoverability of goodwill, management performs a qualitative or quantitative assessment to test for impairment annually. If it is determined, based on qualitative factors, that a quantitative impairment test is required, estimated future cash flows and other factors are evaluated to determine the fair value of the respective reporting unit. If these estimates or related projections change in the future, the System may be required to record impairment charges for goodwill at that time. Impairments, if any, are charged to earnings.

Information on changes in the carrying amounts of goodwill as of December 31, 2021 and 2020, is as follows:

	2021	2020
As of January 1:		
Goodwill	$ 53,984	$ 53,581
Accumulated impairment loss	(31,422)	(31,422)
Total	22,562	22,159
Goodwill acquired	-	403
Total	$ 22,562	$ 22,562

Impairment

The System periodically, or when a triggering event occurs, evaluates the carrying value of its long-lived assets for impairment. This evaluation is based principally on the projected, undiscounted cash flows generated by the related assets.

Property, Plant, and Equipment

Property, plant, and equipment, which includes capitalized internal use software, is recorded at cost or fair value at the date of acquisition. Depreciation is recorded on the straight-line method over the estimated useful lives of the assets. Estimated useful lives used in computing depreciation are generally 10 years for land improvements, 15 to 40 years for buildings and building improvements, and 3 to 15 years for equipment.

Expenditures for maintenance and repairs are recognized in operating results, unless they extend the useful life of the related asset. Costs incurred that extend the useful lives are capitalized and depreciated.

Medical Claims Liability

Medical claims liability consists of unpaid medical claims and other obligations resulting from the provision of health care services. It includes claims reported as of the consolidated balance sheets date and estimates, based upon historical claims experience, for claims incurred but not reported (IBNR).

Management estimates the amount of the IBNR using standard actuarial developmental methodologies based upon, but not limited to, historical payment information and trends, denied claim activity, expected medical cost inflation, seasonality patterns, and changes in membership. This estimate includes a provision for potential adverse deviation, which considers multiple factors, including known environmental and economic factors, changes in current payment patterns, potential high-cost cases, and the impact of new technology or pharmaceuticals on cost.

Management's IBNR best estimate is made on an accrual basis and adjusted in future periods based upon actual payment patterns and any changes in estimation factors. The reserve is adjusted as additional information becomes known and the current period includes adjustments related to prior-period estimates. The majority of the IBNR reserve balance held at the end of a reporting period is associated with the most recent months' incurred services, most of which have not been paid.

The IBNR estimation methodology has been consistently applied from period to period and there were no material changes in the amount of these reserves, or as a percentage of reserve for claims and other settlements, between December 31, 2021 and 2020. Given the inherent variability of such estimates, the actual liability could differ significantly from the amounts estimated.

Deferred Compensation

Certain employees of the System participate in deferred compensation plans. The System has chosen to fund this liability using mutual funds and annuity or insurance contracts solely owned by the System. These assets are subject to the claims of the System's general creditors. Earnings related to the deferred compensation assets, including unrealized appreciation or depreciation, are included in other revenue and changes in the corresponding liability are included in salaries, wages, and employee benefits in the consolidated statements of operations and changes in net assets. The asset and liability are recorded at fair market value. The System recorded a charge to salaries, wages, and employee benefits expense of $25,164 and $22,770 during the years ended December 31, 2021 and 2020, respectively, related to the return on deferred compensation assets.

Deferral of Employment Tax Payments

The COVID Acts permitted employers to defer payment of the 6.2% employer Social Security tax beginning March 27, 2020, through December 31, 2020. Deferred tax amounts are required to be paid in equal amounts over two years, with payments due in December 2021 and December 2022. During the year ended December 31, 2020, the System deferred Social Security tax payments totaling $80,161 pursuant to this provision. At December 31, 2021, the remaining balance of $38,470 to be repaid was included in other liabilities and accrued expenses.

Tax Status

The System, except for HAP, ASR, and Onika, consists of entities described under Internal Revenue Service (IRS) Code Section 501(c)(3) and, as such, are exempt from federal income taxes under IRS Code Section 501(a) and do not have private foundation status under IRS Code Section 509(a)(1), 509(a)(2), or 509(a)(3). HAP is an entity described under IRS Code Section 501(c)(4) and, as such, is exempt from federal income taxes. ASR is a taxable entity. The System's wholly owned insurance captive, Onika, operates in the Cayman Islands and is currently not subject to income taxes. The System does not have any material uncertain tax positions as of December 31, 2021 and 2020.

Adoption of New Accounting Standards

FASB Accounting Standards Update (ASU) No. 2018-14 (Issued August 2018), *Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20)—Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans*—This amends ASC 715*, Compensation Retirement—Benefits,* and updates disclosure requirements to reflect most relevant information and applies to all employers that sponsor defined benefit pension or other postretirement plans. This update modifies existing disclosure requirements on defined benefit pension or other postretirement plans.

Forthcoming Accounting Standards

FASB ASU No. 2016-13 (issued June 2016), *Financial Instruments—Credit Losses (Topic 326)—Measurement of Credit Losses on Financial Instruments*—Introduced a new model for recognizing credit losses on financial instruments based on an estimate of the current expected credit losses (CECL). The new CECL model generally calls for the immediate recognition of all expected credit losses and applies to financial instruments and other assets. This guidance replaces the current incurred loss model for measuring expected credit losses, requires expected losses on available-for-sale debt securities to be recognized through an allowance for credit losses rather than as reductions in the amortized cost of the securities, and provides for additional disclosure requirements. This guidance is effective for fiscal years beginning after December 15, 2021, with early adoption permitted. The System is evaluating the impact this guidance may have on the System's December 31, 2022, consolidated financial statements.

FASB ASU No. 2020-07 (issued September 2020), *Presentation and Disclosures by Non-for-Profit Entities for Contributed Nonfinancial Assets*—This guidance requires not-for-profit entities to present contributed nonfinancial assets as a separate line item in the statement of activities and changes in net assets, apart from contributions of cash and other financial assets. Adoption of this standard is to be applied on a retrospective basis for annual periods beginning after June 15, 2021. Early adoption is permitted. The System is evaluating the impact this guidance may have on the System's December 31, 2022, consolidated financial statements.

FASB ASU No. 2021-09 (issued September 2021), *Leases (Topic 842): Discount Rate for Lessees That Are Not Public Business Entities*—This guidance allows lessees that are not public business entities to make an accounting policy election by class of underlying asset, rather than on an entity-wide basis, to use a risk-free rate as the discount rate when measuring and classifying leases. Adoption of this standard is to be applied using the modified retrospective transition method to leases affected by the amendments existing as of the beginning of the year of adoption by adjusting the lease liability and corresponding right-of-use (ROU) asset at the beginning of the fiscal year in which the ASU is adopted. The transition is required for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The System is evaluating the impact this guidance may have on the System's December 31, 2022, consolidated financial statements.

2. NET PATIENT SERVICE REVENUE

A substantial portion of net patient service revenue is paid by Medicare, Medicaid, and Blue Cross based upon contracted rates or under cost-reimbursement agreements in 2021 and 2020. Provisions for estimated retroactive adjustments under these agreements for current and prior years have been reflected in the accounts based upon the most current information available. Net patient service revenue of $24,790 and $5,853 related to prior-year settlements was recorded during the years ended December 31, 2021 and 2020, respectively. The composition of net patient service revenue by payor for the years ended December 31, 2021 and 2020, is as follows:

	2021		2020	
Medicare	$ 1,867,600	44 %	$ 1,600,326	44 %
Medicaid	708,839	17	625,100	17
Blue Cross	1,175,456	28	965,133	26
Self-pay	33,076	1	25,368	1
Commercial and other	456,689	10	449,928	12
Total	$ 4,241,660	100 %	$ 3,665,855	100 %

Letters of final settlements have not been received from Medicare for 2012 through 2021, from Medicaid for 2016 through 2021, or from Blue Cross for 2019 through 2021. The System is appealing various elements of Medicare final settlements dating back to 1999.

3. UNCOMPENSATED CARE AND COMMUNITY BENEFIT

The System demonstrates its exempt purpose by providing multiple services to support the health and well-being of the communities it serves. In addition to offering emergency services open to the public 24 hours a day, seven days a week, the System provides health care services without charge or at amounts less than its established rates to patients who meet the criteria of its patient financial assistance policy. Charity care is reported at estimated cost using a cost-to-charge ratio methodology. Other major community benefit commitments include participating in public programs under which reimbursement is less than the cost of providing care, maintaining research programs focused on improving health care, offering community education and outreach in the form of free or low-cost clinics and health screenings, education, and donations to support external community programs.

The major components of community benefit for the years ended December 31, 2021 and 2020, are as follows:

	2021	2020
Charity care at cost	$ 62,991	$ 43,844
Unpaid cost of Medicare, Medicaid, and other public programs	526,945	507,940
Implicit price concessions	77,409	92,918
Total cost of uncompensated care	667,345	644,702
Research	97,446	85,002
Health professional education	113,000	95,311
Community health services and building activities	16,989	17,620
Subsidized health services	18,727	15,962
Community benefit operations and financial donations	4,202	5,608
Total community benefit	$917,709	$864,205

The IRS requires the reported community benefit activities to be offset by external funding received. The System received $78,681 and $65,906 of external funding for research and $3,953 and $2,956 of external funding for community health services and building activities during the years ended December 31, 2021 and 2020, respectively.

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS

Fair Value Measuring Hierarchy—The System assesses the inputs used to measure fair value using a three-level hierarchy based on the extent to which inputs are observable in the market. The fair value hierarchy is as follows:

Level 1—Quoted (unadjusted) prices for identical assets in active markets

Level 2—Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets in active markets
- Quoted prices for identical or similar assets in nonactive markets (few transactions, limited information, noncurrent prices, high variability over time, etc.)
- Inputs other than quoted prices that are observable for the asset (interest rates, yield curves, volatilities, default rates, etc.)
- Inputs that are derived principally from or corroborated by other observable market data

Level 3—Unobservable inputs that cannot be corroborated by observable market data

Fair values of securities are based on quoted market prices, where available. The System obtains one price for each security, primarily from a third-party pricing service ("pricing service"), which generally uses Level 1 or Level 2 inputs for the determination of fair value. The pricing service normally derives the security prices through recently reported trades for identical or similar securities, making adjustments through the reporting date based upon available observable market information. For securities not actively traded, the pricing service may use quoted market prices of comparable instruments or discounted cash flow analyses, incorporating inputs that are currently observable in the markets for similar securities. Inputs into the methodologies include nonbinding broker quotes, benchmark yields, credit spreads, default rates, and prepayment speeds. The System assesses the reasonableness of the pricing information quarterly and has not historically made any adjustments.

When the inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement is determined based on the lowest-level input that is significant to the fair value measurement in its entirety. The System's assessment of the significance of a particular item to the fair value measurement in its entirety requires judgment, including the consideration of inputs specific to the asset.

Fair Value Measurement Methods—The following methods and assumptions are used to estimate the fair value of each class of financial instrument:

Cash equivalents—The carrying value approximates fair value as maturities are less than three months. Cash equivalents, comprised primarily of money markets, are classified as Level 1.

Debt securities—The estimated fair values are based on quoted market prices and/or other market data for the same or comparable instruments and transactions in establishing the prices. Due to the nature of pricing fixed-income securities, management classifies debt securities as Level 2 investments.

Equity securities—The estimated fair values are based on quoted market prices and/or other market data for the same or comparable instruments and transactions in establishing the prices. Nonpublicly traded securities are recorded at fair value based on NAV, which is calculated using the most recent fund financial statements. The funds in this class include equities, bonds, other fixed-income instruments, equities, or other asset classes.

Hedge funds—Underlying assets in these funds may include equity and debt securities, commodities, currencies, and derivatives. These funds are valued at NAV, which is calculated using the most recent fund financial statements.

Private markets—The estimated fair values are based on NAV, which is calculated using the most current financial statements issued by each fund. The value is adjusted for cash flows to and from the fund subsequent to the financial statement reporting date as well as other data available for the funds.

Grants and pledges receivable—The fair value is estimated by management using the discounted cash flows method.

Fair Values—Information about the fair value of the System's financial assets and liabilities, according to the valuation techniques the System used to determine its fair values, as of December 31, 2021 and 2020, is as follows:

	2021	2020
Assets measured at fair value:		
Level 1:		
Cash equivalents	$ 629,874	$ 1,179,505
Common stock	35,528	30,290
Collective equity funds:		
Asset allocation	165,370	247,190
Common stock	268,729	234,744
Debt securities	210,346	193,870
Subtotal—Level 1	1,309,847	1,885,599
Level 2:		
Cash equivalents	99,564	-
Debt securities:		
Asset-backed securities	85,605	65,828
Commercial paper	26,872	47,336
Corporate debt securities	120,360	67,830
Government and agency debt securities	89,690	110,482
Nonagency mortgage-backed securities	5,774	8,623
Other debt securities	42,239	26,921
Total cash equivalents and debt securities	470,104	327,020
Grants and pledges receivable at fair value	65,049	49,277
Subtotal—Level 2	535,153	376,297
Subtotal—assets measured at fair value	1,845,000	2,261,896
Investments measured at NAV	1,763,118	1,484,140
Cash	200,469	68,032
Other	377	336
Total	$ 3,808,964	$ 3,814,404
Asset classifications:		
Cash and cash equivalents	$ 836,940	$ 1,237,306
Short-term investments	46,273	30,502
Assets limited as to use	1,123,083	1,008,217
Long-term investments	1,802,668	1,538,379
Total	$ 3,808,964	$ 3,814,404

Investments at NAV—The fair value measurements of certain investments calculated based on NAV, for the years ended December 31, 2021 and 2020, are as follows (there were approximately $154,785 in unfunded commitments for private market investments at year-end 2021):

	2021	2020	Frequency	Notice Period
Collective funds:				
Asset allocation	$ 84,057	$ 53,154	Daily	2 days
Common stock	959,369	834,561	Daily, monthly	1–30 days
Debt securities	403,064	341,483	Daily, monthly, semimonthly	2–30 days
Hedge funds	140,533	123,027	Quarterly, annually	45–90 days
Private markets	176,095	131,915	N/A	N/A
Total	$ 1,763,118	$ 1,484,140		

For purposes of NAV, the following investment category definitions are applied:

Asset allocation—Investment funds that consist of diversified portfolios of debt, equity, and other assets often providing the money manager with discretion as to the allocation of assets.

Common stock—Investment funds that invest substantially all their assets in the equity securities of publicly traded companies in the United States, developed international markets, and emerging international markets.

Debt securities—Investment funds that invest substantially all their assets in debt securities, including government and corporate bonds, both domestic and foreign.

Hedge funds—Investments funds that have advanced investment strategies with long, short, and derivative positions in domestic and foreign markets. Certain funds have provisions that limit access to the invested funds. These provisions include lockup terms that range up to three years from the subscription date.

Private markets—Investment vehicles typically organized as limited partnerships that are not publicly traded. Funds comprise a variety of asset classes with advanced investment strategies, including growth equity, buyouts, venture capital, special situation, secondary funds, private debt, real estate, and real assets. Funds have reduced liquidity with a long-term investment horizon averaging five to ten years and committed capital is drawn down over this life of the fund.

Debt Maturities—The debt securities are carried at fair value. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Holdings as of December 31, 2021, by contractual maturity, are listed as follows:

Maturity	Estimated Fair Value
Due in one year or less	$ 202,926
Due in one year through five years	175,113
Due in five years through ten years	19,973
Due after ten years	72,092
Total	$ 470,104

Total Investments Return, net—The total return on the investment portfolios for the years ended December 31, 2021 and 2020, consisted of the following:

	2021	2020
Interest and dividend income	$ 34,832	$ 21,571
Realized gains	61,384	9,150
Unrealized gains	200,657	219,326
Total investment return, net	$ 296,873	$ 250,047

Total investment return, net for the years ended December 31, 2021 and 2020, consisted of the following:

	2021	2020
Included in other revenue:		
Funds designated for malpractice and general liability	$ 1,928	$ 3,140
Funds designated for deferred compensation	25,164	22,770
Other miscellaneous interest	(1)	66
Included in nonoperating items:		
The Foundation	61,929	39,796
Interest, dividends, and realized and unrealized gains from other unrestricted assets	170,720	156,056
Total	259,740	221,828
Investment return, net on restricted investments	37,133	28,219
Total investment return, net	$ 296,873	$ 250,047

5. ASSETS LIMITED AS TO USE

Assets limited as to use as of December 31, 2021 and 2020, consisted of the following:

	2021	2020
Assets without donor restrictions:		
The Foundation	$ 409,032	$ 363,401
Funds held by trustee	-	1,755
Funds designated for malpractice and general liability	59,572	60,436
Funds designated for deferred compensation	250,525	218,790
HAP statutory funds	2,350	2,350
Funds board designated for research, education, and other	26,572	28,037
Total assets without donor restrictions	748,051	674,769
Assets with donor restrictions:		
Perpetual in nature	129,277	125,843
Purpose restricted	180,706	158,328
Grants and pledges receivable	65,049	49,277
Total assets with donor restrictions	375,032	333,448
Total assets limited as to use	1,123,083	1,008,217
Less requirements for current liabilities	53,005	47,854
Noncurrent assets limited as to use	$ 1,070,078	$ 960,363

Grants and pledges receivable are expected to be collected, and as of December 31, 2021 and 2020, consisted of the following:

	2021	2020
Amounts expected to be collected in:		
Less than one year	$ 49,303	$ 27,890
One to five years	13,417	17,501
More than five years	3,030	4,040
Total grants and pledges expected to be collected	65,750	49,431
Unamortized discount	(701)	(154)
Total grants and pledges receivable with donor restrictions	$ 65,049	$ 49,277

Onika had reserve deposits of $27,381 and $27,789 as of December 31, 2021 and 2020, respectively, under a reinsurance trust agreement and an agency agreement. These amounts are included above in funds designated for malpractice and general liability. The HAP statutory funds are required by insurance regulations.

6. INVESTMENTS IN UNCONSOLIDATED ENTITIES

Investments in our unconsolidated entities are accounted for using the cost or equity method. The System applies the equity method of accounting for investments in unconsolidated entities when its ownership or membership interest is 50% or less and the System has the ability to exercise significant influence over the operating and financial policies of the investee. All other unconsolidated entities are accounted for using the cost method. The income (loss) on health-related unconsolidated entities is included in other revenue in the accompanying consolidated statements of operations and changes in net assets, with ownership interests ranging up to 55%.

The System maintains investments in 18 unconsolidated affiliates accounted for using the equity method. The income related to these investments, included in other revenue, was $179 and $4,652 for the years ended December 31, 2021 and 2020, respectively.

The summarized financial information for unconsolidated affiliates as of December 31, 2021 and 2020, consisted of the following:

	2021	2020
Net revenues	$ 263,339	$ 227,323
Net income	8,324	10,909
Total assets	180,193	177,199
Net assets	84,311	82,554

Effective February 1, 2021, the System and Michigan State University (MSU) entered into a collaboration agreement related to our research, medical education, and clinical programs, with the ultimate goal of creating a new research institute and a regional health campus in Detroit. This 30-year agreement demonstrates the institutions' shared commitment to the achievement of critical health care and educational goals, while addressing social issues that impact health outcomes for patients in Michigan and beyond. The System has a 50% membership in this joint venture.

The agreement reflects progressive milestones during its term and based upon reaching these milestones, the System and MSU have committed to invest annually into the collaboration over the first 10 years. The System's share of this commitment is limited to $11,250 annually based on mutually agreed-upon funding needs and with any uncommitted amounts to be available for future funding. In addition, the System has agreed to make annual mission support payments to MSU over the duration of the agreement. The mission support payments are also contingent upon achieving established milestones over the term of the agreement. A payment of $3,250 was made in 2021. The annual mission support payments range from $3,250 in the first year of the agreement to $5,050 in year 26 of the agreement.

In May 2021, the System formed a new partnership with the nation's leading operator of high-acuity home care, Contessa, an Amedisys company. The joint venture's high-acuity home care offering includes Hospital Care at Home, Skilled Nursing Care at Home, and Palliative Care at Home, which brings all the essential elements of hospital, rehabilitation, and medical care for skilled nursing patients and broader palliative care services into the comfort of patients' homes. The System has a 49% membership in this joint venture and during the year ended December 31, 2021, an equity contribution of $245 was made.

In July 2021, the System and GoHealth Urgent Care, an on-demand consumer-centric care company, announced a new partnership to operate urgent care centers across southeastern Michigan. Three existing System urgent care centers will transition to the new joint venture in early 2022, and multiple new sites are expected to open in 2022 across southeast Michigan. Henry Ford-GoHealth Urgent Care will provide southeastern Michigan communities with accessible and high-quality urgent care. They System has a 50% membership in this joint venture. The System did not make an equity contribution during the year ended December 31, 2021.

7. PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment as of December 31, 2021 and 2020, consisted of the following:

	2021	2020
Land and improvements	$ 123,952	$ 122,297
Building and improvements	1,905,417	1,748,007
Equipment	1,739,599	1,685,252
Construction in progress	142,245	235,139
Total	3,911,213	3,790,695
Less accumulated depreciation	2,271,214	2,174,424
Property, plant, and equipment—net	$ 1,639,999	$ 1,616,271

Internal use software is included above in equipment and construction in progress. The net book value was $126,501 and $129,430 at December 31, 2021 and 2020, respectively.

8. MEDICAL CLAIMS LIABILITY (REPORTED AND UNREPORTED)

Activity from HAP, included in medical claims liability, as of December 31, 2021 and 2020, is summarized as follows:

	2021	2020
As of January 1	$ 222,072	$ 189,634
Incurred related to:		
Current year	1,951,509	1,650,456
Prior year	(71,563)	(35,705)
Total incurred	1,879,946	1,614,751
Paid related to:		
Current year	1,713,385	1,430,473
Prior year	123,721	151,840
Total paid	1,837,106	1,582,313
As of December 31	$ 264,912	$ 222,072

Changes in actuarial estimates of claims unpaid reported as "incurred related to prior year" in the schedule above reflect revisions in estimates of medical cost trends and changes in claims processing patterns. Given the inherent variability of such estimates, the actual liability could differ significantly from the amounts provided.

The provision for medical claims liabilities related to prior years decreased $71,563 in 2021 primarily due to favorable claim run out in all lines of business (commercial, Medicare, dual demonstrations and Medicaid) as well as higher than anticipated pharmacy rebates from prior years. In 2020, the provision for medical claims liabilities related to prior years decreased $35,705 primarily due to favorable runout on commercial and Medicare claims liabilities and higher than anticipated pharmacy rebates from prior years partially offset by higher-than-expected claim activity in the dual demonstration program.

9. MALPRACTICE AND GENERAL LIABILITY

The System provides professional and general liability insurance through a combination of self-insurance, claims-made coverage reinsured through Onika, and excess coverage purchased from commercial carriers and Caymich Insurance Company, Ltd. (Caymich). Caymich is an offshore captive insurance company domiciled in the Cayman Islands that provides pooled risk coverage to its members. The System is a 44.9% member in Caymich at December 31, 2021 and 2020.

The System estimates a range of loss for known claims and unreported incidents and has recorded a liability based on its assessment of the most likely amount of loss in the range. The liability of $181,348 and $177,837 as of December 31, 2021 and 2020, respectively, has been discounted using a discount factor of 4%. Segregated funds included in assets limited as to use have been established to settle claims subject to self-insurance. Returns related to these assets of $1,928 and $3,140 are included in other revenue as of December 31, 2021 and 2020, respectively.

10. PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS

Retirement Income Plans—The System provides retirement benefits to substantially all its employees through a combination of qualified defined contribution and defined benefit plans. Over several years, the System has been increasing benefit alignment across affiliates, with a focus on the defined contribution plans. The funding policy for all defined benefit plans meets or exceeds the minimum funding requirements of the Employee Retirement Security Act of 1974. The expense related to the defined contribution plans was approximately $93,421 and $94,750 for the years ended December 31, 2021 and 2020, respectively. The following summarizes the status of plans at the System and its major affiliates:

System, other than HAP

Defined Contribution Plans—Effective with the first pay in 2018, all employees of AHG as well as newly hired employees of the System (other than those of HAP) participate in a 403(b) plan with a two-tiered benefit structure. The primary benefit has a 6% employee contribution, with a 3.5% employer match for eligible wages. The secondary benefit provides for annual employer contributions from 1.25% to 2.75% of eligible wages. System employees hired prior to 2018 (other than those of AHG and HAP) participate in a retirement savings plan, which provides for a one-time employee election to participate. This plan requires employee and employer contributions of 2% and 2.5%, respectively, of base wages up to the social security wage limit. Contributions are 4% and 5% of base wages in excess of this limit for employees and employers, respectively. This plan has a secondary account that provides an annual employer contribution ranging from 1.25% to 2.75% of eligible wages.

Defined Benefit Plans—Effective December 31, 2010, the System permanently froze the Henry Ford Health System Pension Plan ("System Plan"), a cash balance formula defined benefit plan, and established the secondary account under the retirement savings plan as described above, to provide continuing benefits to all existing participants as well as employees hired up to the first pay in 2018. Effective June 30, 2017, the System permanently froze the Allegiance Health Retirement Plan ("AHG Plan"), a cash balance formula defined benefit plan. Employees of AHG are provided transitional credits until the end of 2020 through the 403(b) plan described above. On September 25, 2019, the board of directors of AHG and the board of trustees of Allegiance Health jointly agreed to accept the merger of the System Plan into the AHG Plan effective December 31, 2019.

In accordance with the System's pension de-risking strategy, the System distributed lump sum checks and purchased annuities for certain participants in the fourth quarter of 2021. These transactions resulted in settling approximately $101,000 of benefit obligation. A one-time settlement charge for this transaction and the normal lump sum settlement payments were recorded as nonoperating - other components of net periodic pension (cost) benefit.

HAP

Defined Contribution Plan—HAP maintains a 401(k) plan that provides benefits to qualifying employees with a primary and secondary benefit structure and formula similar to the System's 403(b) program described above.

Defined Benefit Plans—Effective December 31, 2011, HAP permanently froze the final average pay benefit formula and adopted a cash balance formula in its defined benefit plan for all nonrepresented employees and for the UAW Local 600 Union Office/Nonexempt Bargaining unit participants hired on or after January 1, 2012, and for the UAW Local 600 Union Sales and Labor unit participants hired on or after April 1, 2012.

The cash balance benefit was frozen effective March 19, 2016, for participants in UAW Local 600 Union Office/Nonexempt Bargaining and effective December 23, 2017, for nonrepresented participants. All impacted participants as well as new employees after January 1, 2018, are eligible for the secondary benefit in the HAP 401(k) described above.

Postretirement Health Care—The System also provides postretirement health care and life insurance benefits to certain employees who met minimum age and years of service requirements as of December 31, 2006. These employees are also required to meet certain eligibility requirements at the time of retirement. Benefits to employees may require employee contributions or be provided in the form of a fixed-dollar subsidy.

Retirement Program Investment Management—The System's primary investment objective for the pension plans is to ensure sufficient funds are available to meet the plan's benefit and expense obligations and to maintain compliance with regulatory funding requirements. The plans are managed with a long-term duration and liability investment perspective with the goal to achieve risk-adjusted returns on plan assets and plan liabilities.

The allocation percentages of the fair value of total plan assets held, as of the measurement dates, December 31, 2021 and 2020, for the combined trust are shown below:

Combined Trust	Target	2021	2020
Cash and cash equivalents	2 %	1 %	1 %
Common stock funds	51	52	56
Debt securities funds	44	44	37
Global asset allocation funds	3	3	6
Total	100 %	100 %	100 %

The following tables present information about the fair value of the total plan assets as of December 31, 2021 and 2020, according to the valuation techniques the System used to determine its fair values as described in Note 4:

Combined Trust	2021	2020
Assets measured at fair value:		
Level 1:		
Cash equivalents	$ 3,552	$ 8,645
Collective equity funds:		
Common stock	34,468	49,454
Debt securities	35,342	38,485
Total investments measured at fair value	73,362	96,584
Investments measured at NAV:		
Collective funds:		
Asset allocation	16,767	20,787
Common stock	238,363	288,903
Debt securities	194,421	184,050
Hedge fund	-	12,802
Private equity	1,772	2,615
Total investments measured at NAV	451,323	509,157
Total	$ 524,685	$ 605,741

Projected Benefit Obligations—Information regarding the projected benefit obligation and assets of the defined benefit pension and postretirement benefit plans for the System as of and for the years ended December 31, 2021 and 2020, is as follows:

	Pension Benefits		Postretirement Benefits	
	2021	2020	2021	2020
Change in benefit obligation:				
Benefit obligation—beginning of year	$ 768,778	$ 745,318	$ 51,930	$ 57,493
Service cost	9,525	4,924	625	802
Interest cost	18,097	23,378	1,226	1,828
Actuarial (gain) loss	(15,557)	58,105	(3,662)	(3,370)
Benefits paid	(26,641)	(22,841)	(1,525)	(4,818)
Medicare Part D subsidy	-	-	-	386
Settlements	(138,591)	(40,118)	-	-
Plan changes/other	-	12	-	(391)
Benefit obligation—end of year	615,611	768,778	48,594	51,930
Change in plan assets:				
Fair value of assets—beginning of year	605,741	584,307	-	-
Actual return on assets	56,135	65,887	-	-
Employer contributions	28,041	18,506	1,525	4,818
Benefits paid	(26,641)	(22,841)	(1,525)	(4,818)
Settlements	(138,591)	(40,118)	-	-
Fair value of assets—end of year	524,685	605,741	-	-
Amounts included in the consolidated balance sheets:				
Total accrued liability	$ 90,926	$ 163,037	$ 48,594	$ 51,930
Current liability	$ 1,251	$ 1,438	$ 3,754	$ 3,761
Long-term liability	$ 89,675	$ 161,599	$ 44,840	$ 48,169

Lump-sum settlements of $138,591 and $40,118 were made during the years ended December 31, 2021 and 2020, respectively. As a result of total lump-sum settlements exceeding the sum of service costs and interest costs, the System recognized a settlement loss of $16,598 and $6,744 during 2021 and 2020, respectively.

Pension and Postretirement Benefit Plan Expense—All previously unrecognized actuarial losses are reflected in the consolidated balance sheets. Pension and postretirement plan benefit items not yet recognized as a component of periodic pension and postretirement plan expense, but included within net assets without donor restrictions, as of and for the years ended December 31, 2021 and 2020, are as follows:

	Pension Benefits		Postretirement Benefits	
	2021	**2020**	**2021**	**2020**
Unrecognized prior service cost (credit)	$ 3,084	$ 3,214	$ (8,892)	$ (17,948)
Unrecognized net actuarial loss	66,467	150,586	4,672	9,152
Total	$ 69,551	$ 153,800	$ (4,220)	$ (8,796)

An estimated $128 in prior service cost and $1,503 in net actuarial loss will be included as components of periodic pension plan expense in 2022. An estimated $(8,682) in prior service credit and $11 in net actuarial loss will be included as a component of periodic postretirement medical plan expense in 2022.

The accumulated benefit obligation was $612,302 and $765,237 as of December 31, 2021 and 2020, respectively.

Information regarding the net benefit cost of the pension and postretirement benefit plans for the System as of and for the years ended December 31, 2021 and 2020, is as follows:

	Pension Benefits		Postretirement Benefits	
	2021	**2020**	**2021**	**2020**
Components of net periodic benefit cost (benefit):				
Service cost	$ 9,525	$ 4,924	$ 625	$ 802
Interest cost	18,097	23,378	1,226	1,828
Expected return on assets	(35,470)	(35,137)	-	-
Amortization of prior service cost (credit)	128	127	(9,055)	(8,919)
Amortization of actuarial loss	31,285	9,465	818	1,701
Settlement cost	16,598	6,744	-	-
Net periodic benefit cost (benefit)	$ 40,163	$ 9,501	$ (6,386)	$ (4,588)

Assumptions—Information on the assumptions that were used to determine the benefit obligation and net benefit costs as of and for the years ended December 31, 2021 and 2020, is as follows:

	Pension Benefits		Postretirement Benefits	
	2021	**2020**	**2021**	**2020**
Discount rate—benefit obligation	1.60%-2.85%	1.10%–2.50%	2.85%-2.90%	2.45%–2.50%
Discount rate—benefit cost	1.10%–2.50%	2.65%–3.30%	2.45%-2.50%	3.30%
Expected return on plan assets	6.30%	6.30%	N/A	N/A

The expected long-term rate of return on System plan assets is established based on management's expectations of asset returns for the investment mix in the plans, considering historical experience, current economic environment, and forecasted risk/reward assumptions. The expected returns of various asset categories are blended to derive one long-term assumption.

Trend Rates—Assumed health care cost trend rates have a significant effect on the amounts reported for the postretirement plans. The trend rates for 2022 are as follows:

	Postretirement Plans
Medical trend rate	6.1%
Prescription drug trend rate	7.8%
Ultimate health care and prescription drug trend rate	5.0%
Year in which ultimate trend rates reached	2033

Expected Future Contributions—The System is expected to contribute $1,800 to the pension plans and $3,807 to the postretirement health care plans in 2022.

Expected Benefit Payments—As of December 31, 2021, the System expects to pay the following pension benefits and postretirement benefits for each of the next five years and in the aggregate for the succeeding five years thereafter as follows:

	Pension Plans	Postretirement Plans
Years Ending December 31:		
2022	$ 58,666	$ 3,807
2023	55,070	3,768
2024	54,961	3,705
2025	52,029	3,619
2026	48,985	3,534
Thereafter	177,086	15,942

11. LONG-TERM OBLIGATIONS

Long-term obligations as of December 31, 2021 and 2020, consisted of the following:

Obligation	Maturity	Rate		2021	2020
Bonds Series 2016	2022 to 2046	Fixed	3.00%–5.00%	$ 819,225	$ 835,880
Bonds Series 2019A	2048 to 2050	Fixed	4.00%–5.00%	227,910	227,910
Taxable term loan	2021	Variable	1.01%	-	34,685
Other obligations		Fixed	4.54%–4.82%	3,415	3,667
Deferred issuance costs, net				(6,970)	(7,387)
Unamortized bond premium				105,094	111,188
Total				1,148,674	1,205,943
Less current portion				17,952	51,751
Total long-term obligations				$ 1,130,722	$ 1,154,192

The System's 2016 Master Indenture agreement created the Henry Ford Health System Credit Group (the "Credit Group"). The Credit Group is comprised of the Henry Ford Health System Obligated Group (the "Obligated Group"), Henry Ford Health System Designated Affiliates (the "Designated Affiliates"), and Henry Ford Health System Limited Designated Affiliates (the "Limited Designated Affiliates"). The Corporation, Wyandotte, Macomb, and Allegiance Health are members of the Obligated Group. HAP (excluding its subsidiaries) and the Foundation are Designated Affiliates. There are currently no Limited Designated Affiliates. The agreement contains financial covenants relating to permitted debt, permitted encumbrances, permitted dispositions of cash and other assets, permitted guarantees, and permitted mergers and reorganizations.

On May 2, 2019, the System issued $227,910 in Series 2019A hospital revenue bonds, at a premium of $22,094 with issuance costs of $2,304. During 2021, the System received the remaining $1,755 that was held in trust at December 31, 2021.

The approximate principal requirements on long-term obligations for the next five years and thereafter are as follows:

Years Ending December 31:	
2022	17,952
2023	18,849
2024	20,737
2025	20,588
2026	21,532
Thereafter	950,892

The System has various credit agreements it may borrow from with varying expiration dates which are detailed in the table below. There were $34,685 in advances on the lines at December 31, 2021, and no advances in 2020. The System also holds $17,966 in letter of credit capacity with outstanding commitments of $12,553 and $9,234 as of December 31, 2021 and 2020, respectively.

December 31, 2021			December 31, 2020		
Borrowing Limit		Expiration Date	Borrowing Limit		Expiration Date
$	75,000	April 19, 2022	$	100,000	June 2, 2021
	100,000	May 24, 2022		100,000	June 2, 2021
	150,000	May 25, 2023		50,000	April 16, 2021
	100,000	April 28, 2024		100,000	April 23, 2021
	100,000	April 30, 2024		100,000	April 29, 2021
				75,000	April 19, 2022
$	525,000		$	525,000	

12. LEASES

The System utilizes operating and finance leases for medical and office buildings, medical equipment, and various other equipment. The initial lease liability is calculated as the present value of fixed payments not yet paid and variable payments that are based on a market rate or an index (e.g., Consumer Price Index), measured at commencement. The ROU asset represents the lessee's right to use a specified asset for the lease term and is measured at the lease liability amount, adjusted for lease prepayment, lease incentives received, and the lessee's initial direct costs. The lease agreements generally require the System 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. Most leases include options to renew the lease at the end of the initial term. These options are evaluated at the commencement of the lease, and only those that are reasonably certain of being exercised are included in determining the appropriate lease term. The System's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

When readily determinable, the System uses the interest rate implicit in a lease to determine the present value of future lease payments. For leases where the implicit rate is not readily determinable, the System's incremental borrowing rate is utilized. The incremental borrowing rate is not a quoted rate and is derived by applying a spread over U.S. Treasury rates with a similar duration to the System's lease payments.

The components of lease cost and rent expense, included in general and other administrative expense, depreciation and amortization expense, rent and lease expense, and interest expense for the years ended December 31, 2021 and 2020, are as follows:

Lease Cost:	2021	2020
Finance lease cost:		
Amortization of ROU assets	$ 6,490	$ 5,067
Interest on lease liabilities	3,795	1,690
Operating lease cost	38,972	38,720
Short-term lease cost	14,104	16,761
Variable lease cost	11,202	9,840
Total lease cost	$ 74,563	$ 72,078

The System did not have any subleases as of December 31, 2021 or 2020.

Cash flow and other information:	2021	2020
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases[1]	$ 37,522	$ 37,286
Operating cash flows from finance leases	$ 3,783	$ 1,690
Financing cash flows from finance leases	$ 4,248	$ 4,126
ROU assets obtained in exchange for new finance lease liabilities	$ 102,618	$ 2,583
ROU assets obtained in exchange for new operating lease liabilities	$ 28,125	$ 16,172
Weighted-average remaining lease term:		
Finance leases	23.8 years	16.8 years
Operating leases	7.9 years	8.3 years
Weighted-average discount rate:		
Finance leases	4.6%	3.7%
Operating leases	3.7%	3.8%

(1) Included in the change in other liabilities in the consolidated statements of cash flows.

The schedule of maturity of lease liabilities for balances outstanding at December 31, 2021, is as follows:

Years Ending December 31:	Operating Leases	Finance Leases
2022	32,513	7,905
2023	31,583	9,178
2024	28,377	8,915
2025	26,641	8,939
2026	24,292	8,796
Thereafter	80,353	237,170
Total commitments	223,759	280,903
Less imputed interest	31,922	129,070
Present value of lease liabilities	$ 191,837	$ 151,833

13. COMMITMENTS AND CONTINGENCIES

The System is party to lawsuits incidental to its operations and management believes that the ultimate outcome of these contingencies will not have a material effect on the accompanying consolidated financial statements.

The health care industry is subject to numerous and complex laws and regulations of federal, state, and local governments. Compliance with these laws and regulations, specifically those relating to the Medicare and Medicaid programs, can be subject to review and interpretation, as well as future regulatory enforcement actions, such as fines, penalties, and repayment of previously billed and collected revenues. Management believes that the System complies with current laws and regulations.

14. NET ASSETS WITHOUT DONOR RESTRICTIONS

Changes in consolidated net assets without donor restrictions attributable to the System and the NCIs for the years ended December 31, 2021 and 2020, are as follows:

	Henry Ford Health System	Noncontrolling Interests	Total
Net assets without donor restrictions—December 31, 2019	$ 2,229,422	$ 3,317	$ 2,232,739
Excess of revenue over expenses from consolidated operations	420,247	2,052	422,299
Net assets released from restrictions for capital	7,395	-	7,395
Distributions to noncontrolling interests	-	(1,716)	(1,716)
Pension and other postretirement net adjustments	(14,490)	-	(14,490)
Increase in net assets without donor restrictions	413,152	336	413,488
Net assets without donor restrictions—December 31, 2020	$ 2,642,574	$ 3,653	$ 2,646,227
Excess of revenue over expenses from consolidated operations	39,435	1,367	40,802
Net assets released from restrictions for capital	7,182	-	7,182
Distributions to noncontrolling interests	-	(1,679)	(1,679)
Pension and other postretirement net adjustments	79,673	-	79,673
Increase (decrease) in net assets without donor restrictions	126,290	(312)	125,978
Net assets without donor restrictions—December 31, 2021	$ 2,768,864	$ 3,341	$ 2,772,205

15. ENDOWMENTS

The System's endowments consist of various funds established for specific purposes that are either designated by the board and included in net assets without donor restrictions or designated by a donor and are included in net assets with donor restrictions. The assets are managed in a custodial account. The target allocation in this account is:

	Target
Common stock funds	45 %
Private equity funds	20
Hedge funds	9
Debt securities funds	14
Global allocation and liquid real asset funds	12
Total	100 %

The annual spending appropriation from the endowments is determined by the average of the beginning balance for each of the 12 previous quarters multiplied by a 5% spending factor. The endowment corpus is maintained in perpetuity for donor-restricted endowments.

The composition of endowment net assets as of December 31, 2021 and 2020, and the changes in endowment net assets for the years ended December 31, 2021 and 2020, are summarized as follows:

	Endowment Net Assets Designated by Board	Endowment Net Assets with Donor Restrictions	Total
Endowment net assets—December 31, 2019	339,811	130,160	469,971
Investment return, net	39,790	1,153	40,943
Contributions and other	-	1,385	1,385
Annual spending appropriation	(16,200)	(5,787)	(21,987)
Endowment net assets—December 31, 2020	$ 363,401	$ 126,911	$ 490,312
Investment return, net	61,929	5,966	67,895
Contributions and other	-	4,275	4,275
Annual spending appropriation	(16,300)	(5,999)	(22,299)
Endowment net assets—December 31, 2021	$ 409,030	$ 131,153	$ 540,183

16. INFORMATION ABOUT LIQUIDITY

The System’s strategy is designed to ensure liquidity across all operating units and meet all regulatory requirements. To accomplish this, separate cash funds are maintained for the System and for each of the regulated insurance subsidiaries (collectively, the “Operating Pools”). The Operating Pools asset allocations offer the potential for higher return consistent with reasonable risk, while also ensuring adequate liquidity to meet the System’s general expenditures, liabilities, and other obligations as they come due. In addition, as part of its liquidity management, the System invests cash in excess of daily requirements in various short-term investments, primarily government money market funds. As more fully described in Note 11, the System also has $525,000 in short-term credit facilities with $34,685 in advances on the lines at December 31, 2021. In the next six months, $175,000 of the lines are up for renewal or extension and the System is exploring options on the lines to maintain short-term borrowing abilities, which it could draw upon in the event of an unanticipated liquidity level.

The Foundation's endowment investments are designated by the board and considered a quasi-endowment as described in further detail in Note 15. The System does not intend to spend from the Foundation's endowment other than the investment income appropriated for general expenditures, however, additional funds could be made available if necessary.

The Operating Pools, the Foundation endowment, and donor-restricted endowments contain a limited allocation of investments with lock-up provisions that would reduce the total investments that could be made available (see Note 4 for disclosures about these investments). The System carefully manages liquidity through other asset classes of investments.

The System's total financial assets as of December 31, 2021 and 2020, reduced by amounts not available for general use within one year of the consolidated balance sheet date because of donor restrictions, internal designations, or certain investments with reduced liquidity are as follows:

	2021	2020
Total financial assets	$ 4,356,013	$ 4,286,193
Financial assets not available to be used in one year:		
Subject to contractual or donor-imposed restrictions (Note 5)	(377,382)	(337,553)
Subject to board and other designations (Note 5)	(745,701)	(670,664)
Hedge funds subject to lock-up provisions (Note 4)	(13,417)	(7,027)
Private market investments (Note 4)	(115,042)	(68,422)
Financial assets available to meet cash needs for general expenditures within one year	$ 3,104,471	$ 3,202,527

17. SUBSEQUENT EVENTS

Pursuant to FASB ASC Topic 855-10, *Subsequent Events — Overall,* the System has evaluated subsequent events through March 14, 2022, the date the consolidated financial statements were issued, noting no such events occurred.

Henry Ford Health System®

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