St. Luke's Health System, Ltd. and Subsidiaries

Consolidated Financial Statements as of and for the Years Ended September 30, 2022 and 2021, and Independent Auditors' Report

St. LUKE'S HEALTH SYSTEM, LTD. AND SUBSIDIARIES

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of,
St. Luke's Health System, Ltd.
Boise, Idaho

Opinion

We have audited the consolidated financial statements of St. Luke's Health System, Ltd. and subsidiaries (the "Health System"), which comprise the consolidated balance sheets as of September 30, 2022 and 2021, and the related consolidated statements of operations and changes in net assets, and of 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 Health System as of September 30, 2022 and 2021, 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 Health 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 Health 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 Health 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 Health 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.

Disclaimer of Opinion on Charity Care Schedule

The charity care schedule summarized in Note 1, which is the responsibility of the Health System's management, is not a required part of the basic financial statements, and we did not audit or apply limited procedures to such information and we do not express any assurances on such information.

Report on Supplemental Schedules

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules listed in the table of contents on page *45* are presented for the purpose of additional analysis and are not a required part of the financial statements. These schedules are the responsibility of the Health System's management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such schedules have been subjected to the auditing procedures applied in our audits of the financial statements and certain additional procedures, including comparing and reconciling such schedules directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, such schedules are fairly stated in all material respects in relation to the financial statements as a whole.

Deloitte + Touche LLP

December 16, 2022

St. Luke's Health System, Ltd. and Subsidiaries

Consolidated Balance Sheets
As of September 30, 2022 and 2021
(In thousands)

	2022	2021
Assets		
Current assets		
Cash and cash equivalents	$ 78,938	$ 110,532
Receivables—net	505,070	442,061
Inventories	53,136	51,663
Prepaid expenses	41,113	31,037
Current portion of assets whose use is limited	50,751	45,854
Total current assets	729,008	681,147
Assets whose use is limited	989,804	1,320,649
Property, plant, and equipment—net	1,354,627	1,285,806
Operating lease right-of-use assets	110,796	112,941
Other assets	62,774	71,292
Total assets	$ 3,247,009	$ 3,471,835
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued liabilities	$ 234,515	$ 242,356
Compensation and related liabilities	271,636	309,161
Medicare cash advances	1,743	113,133
Estimated payable to medicare and medicaid programs	56,897	76,820
Current portion of operating lease obligations	22,031	19,689
Current portion of long-term debt and finance lease obligations	15,542	14,463
Total current liabilities	602,364	775,622
Long-term debt	897,901	809,710
Operating lease obligations	90,197	93,603
Finance lease obligations	43,917	46,171
Pension liabilities	24,751	58,952
Other liabilities	1,850	19,767
Net assets		
Net assets without donor restrictions	1,533,268	1,618,417
Net assets with donor restrictions	52,761	49,593
Total net assets	1,586,029	1,668,010
Total liabilities and net assets	$ 3,247,009	$ 3,471,835

See notes to consolidated financial statements.

St. Luke's Health System, Ltd. and Subsidiaries

Consolidated Statements of Operations and Changes in Net Assets
For the Years Ended September 30, 2022 and 2021
(In thousands)

	2022	2021
Revenues		
Net patient service revenue	$ 2,339,346	$ 2,198,909
Capitated revenue	1,158,915	932,064
Other revenue	138,799	177,517
Government assistance	42,684	44,408
Net assets released from restrictions—operating	(4,291)	(5,648)
Total revenues	3,675,453	3,347,250
Expenses		
Employee compensation and benefits	1,785,992	1,494,779
Supplies and drugs	626,737	579,851
Medical claims	628,110	456,592
Other operating expenses	490,843	460,351
Total operating expenses	3,531,682	2,991,573
Earnings before interest, depreciation and amortiza	143,771	355,677
Depreciation and amortization	116,120	109,890
Interest	29,499	24,285
Net operating (loss) income	(1,848)	221,502
Investment income	4,537	44,249
Loss on early extinguishment of debt	(144)	-
Revenue in excess of expenses attributable to the Health System	$ 2,545	$ 265,751

See notes to consolidated financial statements. (Continued)

St. Luke's Health System, Ltd. and Subsidiaries

Consolidated Statements of Operations and Changes in Net Assets
For the Years Ended September 30, 2022 and 2021
(In thousands)

	2022	2021
Net assets without donor restrictions		
Revenue in excess of expenses	$ 2,545	$ 265,751
Change in net unrealized (loss) gains on investm	(110,172)	37,296
Net assets released from restrictions—capital	1,122	1,113
Other components of net periodic pension cost	(4,228)	(9,068)
Change in funded status of pension plans	25,584	35,194
(Decrease) increase in net assets without donor restrictions	(85,149)	330,286
Net assets with donor restrictions		
Contributions	11,704	9,634
Investment income	66	1,022
Change in net unrealized (loss) gains on investm	(3,189)	3,132
Net assets released from restrictions	(5,413)	(6,761)
Increase in net assets with donor restrictions	3,168	7,027
(Decrease) increase in net assets	(81,981)	337,313
Net assets—Beginning of year	1,668,010	1,330,697
Net assets—End of year	$ 1,586,029	$ 1,668,010

See notes to consolidated financial statements. (Concluded)

St. Luke's Health System, Ltd. and Subsidiaries

Consolidated Statement of Cash Flows
For the Years Ended September 30, 2022 and 2021
(In thousands)

	2022	2021
Cash flows from operating activities:		
(Decrease) increase in net assets	$ (81,981)	$ 337,313
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	116,120	109,890
Net realized loss (gain) on investments	11,547	(28,212)
Unrealized loss (gain) on investments	114,342	(40,100)
Amortization of deferred financing fees	613	338
Restricted contributions received	(11,704)	(9,635)
Gain on disposition of equipment and other assets	(227)	(2,086)
Change in other components of net periodic pension cost	4,228	9,068
Change in funded status of pension plans	(25,584)	(35,194)
Changes in operating assets and liabilities:		
Receivables	(58,989)	(85,342)
Inventories	(1,474)	(6,664)
Prepaid expenses and other current assets	(10,075)	(3,938)
Other assets	10,375	(21,120)
Accounts payable and accrued liabilities	(4,020)	34,916
Compensation and related liabilities	(55,442)	12,786
Medicare cash repayments	(111,364)	(36,466)
Payable to medicare and medicaid programs	(24,168)	4,917
Other liabilities	(12,845)	6,966
Net cash (used in) provided by operating activities	(140,648)	247,437
Cash flows from investing activities:		
Acquisition of property, plant, equipment and land	(185,663)	(141,391)
Proceeds from disposition of equipment and other assets	1,100	6,561
Purchase of investments	(1,221,668)	(1,466,912)
Other changes in investments	2,067	5,716
Proceeds from sale of investments	1,448,601	1,308,288
Distributions from unconsolidated affiliates	1,400	1,110
Net cash provided by (used in) investing activities	45,837	(286,628)

See notes to consolidated financial statements. (Continued)

St. Luke's Health System, Ltd. and Subsidiaries

Consolidated Statement of Cash Flows
For the Years Ended September 30, 2022 and 2021
(In thousands)

	2022	2021
Cash flows from financing activities:		
Repayment of long-term debt	$ (149,075)	$ (12,204)
Proceeds from long-term debt issuance	218,595	-
Proceeds from long-term debt issuance premium	23,287	-
Cost of issuance on long-term debt	(1,933)	-
Loss on early extinguishment of debt	(144)	-
Proceeds from contributions for temporarily restricted net assets	11,704	9,634
Payments on notes payable	(2,679)	(2,938)
Net cash provided by (used in) financing activities	99,755	(5,508)
Net increase (decrease) in cash, cash equivalents and restricted cash	4,944	(44,699)
Cash, cash equivalents and restricted cash—Beginning of year	140,452	185,151
Cash, cash equivalents and restricted cash—End of year	$ 145,396	$ 140,452
Supplemental cash flow information:		
Purchase of property, plant and equipment in accounts payable and accrued liabilities	$ 5,581	$ 9,403
Unsettled investment purchases	36,740	72,236
Unsettled investment sales	26,252	35,448

See notes to consolidated financial statements. (Concluded)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization—St. Luke's Health System, Ltd. and subsidiaries (the "Health System") is an Idaho-based not-for-profit organization providing comprehensive integrated healthcare services throughout the communities it serves.

The Health System provides patient services, including outpatient and inpatient, rehabilitation services and physician services. The Health System's primary hospitals and patient service areas are located within the State of Idaho in or surrounding the cities of Boise, Meridian, Nampa, Twin Falls, Mountain Home, McCall, Jerome, and Ketchum and have other facilities and operations throughout Southern Idaho and Eastern Oregon.

St. Luke's Health Partners (SLHP) is a wholly owned not-for-profit, though not tax-exempt, subsidiary of the Health System. SLHP is a financially and clinically-integrated network that allows independent physicians and facilities to partner with the Health System and is organized to assume financial and clinical accountability in capitated arrangements. These arrangements include governmental and commercial payers, as well as self-funded employers. Under these arrangements, SLHP is accountable for the management of health outcomes and medical spend for defined populations through value-based agreements with payers.

St. Luke's Health Plan, Inc. (the "Plan") is a wholly owned not-for-profit, though not tax exempt, subsidiary of the Health System. In early 2022, the Plan became a management care organization when it received a Certificate of Authority from the Idaho Department of Insurance. The Plan will offer a wide range of insurance products, including individual and group lines of business across west central and south-central Idaho counties, with coverage beginning in January 2023. The Plan's purpose "to connect people with affordable, hassle-free health care" seamlessly aligns with St. Luke's long-standing commitment to improving the health of people through coordinated health care while seeking to improve affordability for patients.

The Health System's general offices and corporate functions are located in Boise, Idaho. The Health System is governed by a volunteer Board of Directors ("the Board") made up of local citizens.

Basis of Presentation—The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Intercompany transactions have been eliminated.

Use of Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates, assumptions and judgments that affect the amounts reported in the consolidated financial statements. The Health System considers critical accounting estimates to be those that require more significant judgments and estimates in the preparation of its consolidated financial statements, including the following: contractual allowances for uncollectible accounts receivable, provisions for self-pay price concessions and charity care; useful lives of depreciable assets; liabilities associated with employee benefit programs; self-insured professional liability risks not covered by insurance; medical claims incurred but not yet reported; and potential settlements with the Medicare and Medicaid programs.

Changes in estimates are included in results of operations in the period when such amounts are determined, and actual amounts could differ from such estimates.

Statements of Operations—Transactions deemed by management to be ongoing, major, or central to the provision of integrated health care services are reported as unrestricted revenues, gains and other support and expenses.

Net Assets with Donor Restrictions—Net assets with donor restrictions are those subject to donor-imposed stipulations. Some donor-imposed restrictions are temporary in nature which are met by actions of the Health System or by the passage of time. Other donor restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. These are generally restricted to provide ongoing income for a specific program.

Donor Restricted Gifts—Unconditional promises to give cash, pledges receivable and other assets are recorded at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as donor restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of operations and changes in net assets as net assets released from restrictions. Total pledges receivable, net of allowances, as of September 30 were as follows:

	2022	**2021**
Less than one year	$ 2,309	$ 2,387
One to five years	784	788
More than five years	-	50
	3,093	3,225
Less allowance for estimated uncollectible accounts	95	95
Total pledges receivable	$ 2,998	$ 3,130

Cash, Cash Equivalents and Restricted Cash—Cash and cash equivalents represents cash on hand and cash in banks, excluding amounts whose use is limited, and consists primarily of cash and highly liquid investments with original maturities of three months or less. As of September 30, 2022 and 2021, the Health System had book overdrafts of $5,221 and $13,003, respectively, that is included in accounts payable and accrued liabilities.

The following table reconciles cash, cash equivalents and restricted cash shown in the statement of cash flows to amounts presented within the consolidated balance sheets as of September 30, 2022 and 2021, respectively:

	2022	2021
Cash and cash equivalents	$ 78,938	$ 110,532
Restricted cash included in current portion of assets whose use is limited		
Held by trust under bond indenture	54,882	159
Cash equivalents included in assets whose use is limited	11,576	29,761
Total cash, cash equivalents, and restricted cash shown in statement of cash flows	$ 145,396	$ 140,452

Inventories—Inventories consist primarily of pharmaceutical, medical, and surgical supplies and are stated at the lower of cost (on a moving-average basis) or net realizable value.

Assets Whose Use is Limited—Assets whose use is limited include assets set aside by the Board for future capital purposes over which the Board retains control and may, at its discretion, subsequently be used for debt retirement or other purposes. It also includes assets held by trustee under indenture agreements, assets restricted by donors for specific purposes and permanent endowment funds.

The Health System's long-term and short-term investment portfolios are managed according to investment policies adopted by the Health System and based on overall investment objectives. Board designated funds are investments established by the Board for strategic future capital or operating expenditures intended to expand or preserve services provided to the communities it serves. All investments are classified as available for sale and recorded at fair value using trade date accounting. Realized gains (losses) on investments whose use has not been restricted by the donor, including unrestricted income from endowment funds, are reported as part of investment income. Investment income and gains (losses) on investments whose income has been restricted by the donor are recorded as increases (decreases) to net assets with donor restrictions.

The Health System's investments primarily include mutual funds and debt securities that are carried at fair value. The Health System evaluates whether securities are other-than-temporarily impaired (OTTI) based on criteria that include the extent to which cost exceeds market value, the intent to sell, the duration of the market decline, the credit rating of the issuer or security, the failure of the issuer to make scheduled principal or interest payments and the financial health and prospects of the issuer or security. Any declines in the value of investment securities determined to be OTTI are recognized in earnings and reported as OTTI losses. The Health System determined that no securities were OTTI as of September 30, 2022 and 2021.

Equity Method Investment—The Health System owns a membership interest of 49.5% in Broadway Park Holdings, LLC (BPH). The Health System accounts for its investment in

BPH using the equity method and records the investment at cost. The Health System's investment in BPH as of September 30, 2022 and 2021, was $7,584 and $8,984, respectively. The Health System's investment in BPH is increased by additional contributions as well as its proportionate share of earnings. Conversely, the Health System's investment is decreased by distributions made to the Health System and by its proportionate share of losses. During the year ended September 30, 2022 and 2021, the Health System recognized equity earnings from the investment in BPH of $1,850 and $1,690, respectively.

Property, Plant, and Equipment—Property, plant, and equipment, including internal use software, are recorded at cost except for donated assets, which are recorded at fair value at the date of donation. Property and equipment donated for Health System operations are recorded as additions to property, plant, and equipment when the assets are placed in service. Depreciation is computed using the straight-line method over the estimated useful lives of the depreciable assets with depreciation taken in both the year placed in service and the year of disposition.

The estimated useful lives of each asset ranges are as follows:

Buildings	15–40 years
Fixed and major movable equipment	2–20 years
Leasehold improvements	5–15 years
Information technology	3–7 years

Expenditures for maintenance and repairs are charged to expense as incurred and expenditures for renewals and betterments are capitalized. Upon sale or retirement of depreciable assets, the related cost and accumulated depreciation are removed from the records and any gain or loss is reflected in the statement of operations. Periodically, the Health System evaluates the carrying value of property, plant, and equipment for impairment based on undiscounted operating cash flows whenever events or changes occur which might impact recovery of recorded assets.

Other Assets—Other assets includes land and buildings held for future investment or future expansion, goodwill and other non-limited use assets.

Goodwill—Goodwill represents the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. With the adoption of Accounting Standards Update (ASU) 2019-06, the Health System amortizes goodwill on a straight-line basis over a ten-year period. The Health System has elected to test goodwill for impairment at the entity level. Impairment testing is required when a triggering event occurs that indicates that the fair value of the Health System may be below carrying amount. The Health System considered various events and circumstances at the end of each fiscal year to evaluate whether the Health System's fair value was less than carrying value. Based on the Health System's assessment of relevant events and circumstances, the Health System has concluded that no triggering events occurred that would require an impairment test. There was no impairment of goodwill for the fiscal years ended September 30, 2022 and 2021.

Right-of-Use Assets and Lease Obligations—The Health System determines if an arrangement is a lease at inception of the contract. Right-of-use assets represent the right to use the underlying assets for the lease term and the lease liabilities represent an obligation to make lease payments arising from the leases. Right-of-use assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. When available, the Health System uses the implicit rate stated in the contract. If the implicit rate is not stated, an estimated Incremental Borrowing Rate (IBR) is used. The IBR is estimated based on market rates provided by our banking advisors for similar duration debt issuances at or near the lease commencement date. Operating and financing lease obligations with an initial term of 12 months or less ("short-term leases") are not recorded on the consolidated balance sheet. Expenses for short-term lease obligations are recognized within other operating expenses on the consolidated statements of operations and changes in net assets, over the lease term. The Health System's finance leases are primarily for real estate. Finance lease right-of-use assets are included in plant, property and equipment with the related liabilities listed in current and long-term liabilities on the consolidated balance sheet.

Operating lease right-of-use assets and lease obligations are recorded for all leases that are not considered finance leases or short-term leases. The Health System's operating leases cover medical and office equipment, auto, medical transportation aircraft and real estate inclusive of outpatient facilities, medical office buildings, warehousing, and administrative office space. The Health System's real estate leases typically have an initial term of one to fifteen years. The Health System's equipment lease agreements typically have a term of one to six years. The real estate leases may include one or more options to renew, with renewals that typically can extend the lease term from one to ten years. The exercise of lease renewal options is at the Health System's sole discretion. For accounting purposes, options to extend or terminate the lease are included in the lease term when it is reasonably certain the options will be exercised. Operating lease liabilities represent the obligation to make lease payments arising from the leases and are recognized at the lease commencement date based on the present value of lease payments over the lease term.

Certain lease agreements for real estate include payments based on actual common area maintenance expenses and others include rental payments adjusted periodically for inflation. We have elected to include these non-lease components with lease components for contracts containing real estate leases for the purpose of calculating lease right-of-use assets and liabilities, to the extent that they are fixed. Non-lease components that are not fixed are expensed as incurred as variable lease payments. These variable lease payments are recognized in other operating expenses, net, but are not included in the right-of-use asset or liability balances. The Health System's lease agreements do not contain any material residual value guarantees, restrictions, or covenants.

Medicare Cash Advances—The Health System requested accelerated Medicare payments for its acute care and critical access hospitals through the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act") and received funds in April 2020 from Centers for Medicare & Medicaid Services (CMS). Guidance released in the H.R. 8337, Continuing Appropriations Act, 2021 and Other Extensions Act of 2020 (passed by the House on September 22, 2020) delayed the recoupment of Medicare Accelerated and Advance Payments due to the COVID-19 pandemic by one year. CMS's recoupment of funds from the Health System began in April 2021. Any unpaid balance after October 30, 2022 will accrue interest at 4%. As of September 30, 2022 the Health System had paid back $147,830 of the cash advance and the remaining balance of $1,743 was paid back in October 2022.

Costs of Borrowing—Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Financing costs are deferred and amortized over the life of the debt.

Charity Care—The Health System provides services to all patients regardless of their ability to pay in accordance with its charity care policy. The estimated cost of providing these services was $75,736 and $60,015 in 2022 and 2021, respectively, calculated by multiplying the ratio of cost to gross charges for the Health System by the gross compensated charges associated with providing care to charity patients.

In addition to charity care services, the Health System provides services to patients who are deemed indigent under state Medicaid and county indigency program guidelines. In most cases, the cost of services provided to these patients exceeds the amounts received as compensation from the respective programs. In addition, in response to broader community needs, the Health System also provides many programs such as health screening, patient and health education programs, clinical and biomedical services to outlying hospitals, and serves as a clinical teaching site for higher education programs of health professionals. The following unaudited schedule summarizes the charges forgone in accordance with the Health System's charity care policy, the unpaid costs associated with services provided under Medicare, Medicaid, and county indigency programs, and the benefit of services provided to support broader community needs:

	Unaudited	
	2022	**2021**
Estimated unpaid costs of services provided under Medicare, Medicaid, and county indigency programs	$ 665,760	$ 361,967
Estimated benefit of services to support broader community needs	27,072	22,553

Income Taxes—The Health System is a not-for-profit corporation and is recognized as tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. The Health System has activities that are considered unrelated business taxable income (UBTI), which are subject to excise tax. The Health System also has two taxable subsidiaries, SLHP and the Plan whose operations are included in the consolidated financial statements and as such we have provided for income taxes on this activity under the Accounting Standards Codification (ASC) 740.

For the Health System's taxable subsidiary and activities considered UBTI, income taxes are accounted for under the asset and liability method, which requires the recognition of Deferred Tax Assets (DTAs) and Deferred Tax Liabilities (DTLs) for the expected future tax consequences of events that have been included in the consolidated financial statements. Under this method, the Health System determines DTAs and DTLs based on the differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on DTAs and DTLs is recognized in results of operations in the period that includes the enactment date of the rate change.

The Health System recognizes DTAs to the extent that these assets are more likely than not to be realized. In making such a determination, the Health System considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations. If the Health System determines that DTAs are realizable in the future in excess of their net recorded amount, the Health System would make an adjustment to the DTA valuation allowance, which would reduce the provision for income taxes.

The Health System records uncertain tax positions in accordance with ASC 740 on the basis of a two-step process in which (1) the Health System determines whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold, the Health System recognizes the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority. Management is not aware of any uncertain tax positions that should be recorded.

Net Patient Service Revenue—Net patient service revenue is reported at the amount that reflects the consideration to which the Health System expects to be entitled in exchange for providing care. These amounts are due from patients, third-party payors, and others, including estimated adjustments under reimbursement agreements with third-party payors when services are rendered. As final settlements are made and estimates are revised, the differences are reflected in current operations.

The Health System records revenue during the period after obligations to provide healthcare services are satisfied. Generally, the Health System bills patients and third-party payors several days after the services are performed or after the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied by transferring services to customers.

Performance obligations are determined based on the nature of the services provided by the Health System. Revenues are recorded during the period obligations to provide health care services are satisfied.

Revenue for the performance obligations satisfied over time is recognized based on actual charges incurred. Generally, performance obligations satisfied over time relate to patients receiving inpatient services. The Health System measures the performance obligation from admission into the hospital to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge. Revenue for performance obligations satisfied at a point in time is generally recognized when goods or services are provided, and the Health System does not believe it is required to provide additional goods or services related to the patient.

Because all its performance obligations relate to contracts with a duration of less than one year, the Health System has elected to apply the optional exemption provided in ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

The Health System determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Health System's policy, or implicit price concessions provided to uninsured patients. The Health System determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policy, and historical experience. The Health System determines its estimate of implicit price concessions based on its historical collection experience with this class of patients.

The Health System has agreements with third-party payors that provide for payments to the Health System at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare—Inpatient acute and certain outpatient care services rendered to Medicare program beneficiaries are paid at prospectively determined rates based upon the service provided. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors.

Inpatient non-acute services, certain other outpatient services, and medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology.

The Health System is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Health System and audits thereof by the Medicare Administrative Contractor (MAC). The Health System's classification of patients under the Medicare program, and the appropriateness of their admission are subject to a review by a peer review organization under contract with the MAC.

Medicaid—Prior to July 1, 2021, inpatient and outpatient services rendered to Medicaid program beneficiaries were reimbursed under a cost-based reimbursement methodology which was retroactively settled. Effective July 1, 2021, Medicaid transitioned inpatient hospital reimbursement from this cost-based structure to a Diagnosis Related Group (DRG) model, which pays for medical services under a budget, based on the patient's severity of illness. Also, effective July 1, 2021, outpatient hospitals were transitioned to a final prospective payment rate based on a percent of charges multiplied by allowable Medicaid charges. The percent of charges were calculated from the most recent cost settlement used to set payment rates. The prospective payment rate will not be retroactively cost settled. Critical access hospitals were excluded from these reimbursement methodology changes and have continued to receive cost-based reimbursement for inpatient and outpatient services.

Beginning January 1, 2022, SLHP's Value Care Organization (VCO) entered a capitated arrangement, taking accountability for the health outcomes of the majority of the Health System's Medicaid patients, which include those that align with physician groups within the VCO. The remaining Medicaid patients continue to be reimbursed under the methodologies outlined in the preceding paragraph.

Changes in estimated settlement amounts are included in results of operations in the period when such amounts are determined. The Health System has an opportunity to amend previously settled cost reports when new or revised information is discovered. With regard to the amended cost reports, the Health System updates estimated settlements when amounts are probable and estimable.

Changes in prior year estimates for Medicare and Medicaid settlements increased net patient service revenue by $17,936 and $10,773 for the years ended September 30, 2022 and 2021.

Other Third-Party Payors—The Health System has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Health System under these agreements includes prospectively determined rates per patient day, per discharge and discounts from established charges as well as payor specific contract terms.

The Health System provides care to patients regardless of their ability to pay. The Health System has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances such as copays and deductibles. The implicit price concessions included in estimating the transaction prices represent the difference between amounts billed to patients and amounts the Health System expects to collect based on the collection history of those patients.

Capitated Revenue—Capitated revenue represents contractual revenue from value-based arrangements at SLHP, where financial responsibility is assumed for services provided to enrollees by other institutional health care providers. In these arrangements, a settlement amount is calculated based on medical claims experience as compared to budget targets based on contractual terms. Capitated revenue is recognized during the period for which institutional providers are obligated to provide health services to enrollees. Settlements are accrued during the period in which the related services are rendered. Losses expected under the contract period in value-based arrangements are recognized when it is probable that expected medical claim expense exceeds future capitated revenue.

Reserves for incurred but not reported medical claims have been established for the unpaid costs of health care services covered under the value-based arrangements. The reserves are estimated based on actuarial analysis, historical experience, and payment trends. Subsequent actual claims experience will differ from the estimated reserve due to variances in estimated and actual utilization of health care services. As final settlements are made and estimates are revised, the differences are reflected in current operations. Reserves for incurred but not reported were $142,999 and $98,985 and include $11,754 and $12,372 related to employee claims for the years ended September 30, 2022 and 2021, respectively.

SLHP bears full performance exposure on all significant value-based arrangements. The Direct Contracting and Medicaid programs are reinsured by the sponsoring payor, while all other value-based arrangements are reinsured through Sequoyah Assurance, Ltd. (the Captive), a wholly owned subsidiary of the Health System, and recoveries are netted within medical claims expense related to the arrangement.

Adopted Accounting Pronouncements—Effective October 1, 2021, the Health System adopted ASU No. 2018-14 "*Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20).*" This guidance modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. ASU No. 2018-14 did not have a material impact on the consolidated financial statements.

Effective October 1, 2021, the Health System adopted ASU No. 2018-18, "*Collaborative Arrangements (Topic 808): Clarifying the Interaction between Topic 808 and Topic 606.*" This guidance clarifies whether certain transactions between collaborative arrangement participants should be accounted for within revenue under Topic 606. ASU No. 2018-18 did not have a material impact on the consolidated financial statements.

Effective October 1, 2021, the Health System adopted ASU No. 2020-07 "*Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets—Not-for-Profit Entities (Topic 958).*" This guidance provides new presentation and disclosure requirements about contributed nonfinancial assets for not-for-profit entities, including additional disclosure requirements for recognized contributed services. The amendments will not change the recognition and measurement requirements in Subtopic 958-605 for those assets. ASU No. 2020-07 did not have a material impact on the consolidated financial statements.

Forthcoming Accounting Pronouncements—In October 2021, FASB issued ASU No. 2021-08 "*Business Combinations (Topic 805)—Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*." The amendments in this update require the acquiring entity to recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606. This guidance will be effective for the Health System beginning October 1, 2024. The Health System will apply this guidance in consideration of any future business combinations that may occur on or after October 1, 2024.

In November 2021, FASB issued ASU No. 2021-09 "*Leases (Topic 842)—Discount Rate for Lessees That Are Not Public Business Entities*." The amendments in this guidance affect lessees that are not public entities including not-for-Profits regardless of whether they are conduit bond obligors and employee benefit plans. Current guidance provides lessees that are not public business entities with a practical expedient that allows them to elect, as an accounting policy, to use a risk-free rate as the discount rate for all leases. The amendments in this update allow those lessees to make the risk-free rate election by class of underlying asset, rather than at the entity-wide level. This guidance will be effective for the Health System beginning October 1, 2022. The Health System has elected not to use a risk-free rate, and this guidance will have no effect on its consolidated financial statements.

2. OPERATING REVENUE

Operating revenue consists primarily of net patient service revenue and capitated revenue. Revenue from patient's deductible and coinsurance are included in the categories presented below based on primary payor. Capitated revenue primarily represents contractual revenue from value-based arrangements.

Patient service revenue, net of contractual allowances and discounts by primary payor source, for the years ended September 30 were as follows:

	2022	2021
Commercial payors, patients, and other	$ 1,200,145	$ 1,043,213
Managed care other	225,870	211,933
Medicare program	383,491	332,896
Managed Medicare	240,966	270,596
Medicaid program	222,932	340,271
Managed Medicaid	65,942	-
	$ 2,339,346	$ 2,198,909

The composition of net patient service revenue and other revenue based on major service lines for the years ended September 30 were as follows:

	2022	2021
Service lines:		
Hospital services	$ 1,907,820	$ 1,821,350
Physician services	431,526	377,559
Net patient service revenue by service line	2,339,346	2,198,909
Capitated revenue	1,158,915	932,064
Revenue from other sources	177,192	216,277
Total operating revenue	$ 3,675,453	$ 3,347,250

The CARES Act authorized $100 billion in funding to hospitals and other health care providers to be distributed through the Public Health and Social Services Emergency Fund ("Relief Funds"). Furthermore, the Paycheck Protection Program and Health Care Enhancement Act ("PPPHCE Act", collectively the "Acts") enacted on April 24, 2020, provided an additional $75 billion in emergency appropriations to eligible providers for COVID-19 response including distributions to safety net hospitals to compensate for lost revenues and qualified expenses, loan forgiveness and capacity expansion. Payments from Relief Funds are intended to compensate health care providers for lost revenue and qualified expenses incurred in response to the COVID-19 pandemic and are not required to be repaid; provided that the recipients attest to and comply with certain terms and conditions, including limitations on balance billing and not using Relief Funds to reimburse expenses or losses that other sources are obligated to reimburse. The Health System recognized government assistance revenue from Relief Funds in the amount of $42,684 and $44,408 for the years ended September 30, 2022 and 2021, respectively.

3. ACCOUNTS RECEIVABLE AND CONCENTRATION OF CREDIT RISK

The Health System grants credit without collateral to its patients, most of whom are local residents and many of whom are insured under third-party payor agreements. Accounts receivable, reflected net of any contractual arrangements, as of September 30 were as follows:

	2022	2021
Commercial payors, patients, and other	$ 313,168	$ 261,613
Medicare program	91,419	85,886
Medicaid program	38,585	32,819
Non-patient	61,898	61,743
	$ 505,070	$ 442,061

The allowance for estimated uncollectible accounts is determined by analyzing both historical information (write-offs by payor classification), as well as current economic conditions.

4. LONG-LIVED ASSETS

Property, Plant, and Equipment

Property, plant, and equipment as of September 30 were as follows:

	2022	2021
Land	$ 72,401	$ 56,690
Buildings, land improvements, and fixed equipment	1,480,760	1,447,719
Major movable equipment and information technology	1,009,885	943,612
Total property, plant and equipment	2,563,046	2,448,021
Less accumulated depreciation:		
Buildings, land improvements, and fixed equipment	621,024	570,797
Major movable equipment and information technology	821,898	760,989
Total accumulated depreciation	1,442,922	1,331,786
Construction in process	234,503	169,571
Property, plant, and equipment—net	$ 1,354,627	$ 1,285,806

Depreciation expense was $112,381 and $106,150 for the years ended September 30, 2022 and 2021, respectively.

Leases

The following table presents the components of the Health System's right-of-use assets and lease obligations related to operating and finance lease obligations and their classification in the consolidated balance sheet as of September 30:

Components of Lease Balances	Consolidated Balance Sheets Classification	2022	2021
Assets:			
Operating lease right-of-use assets—net	Operating lease right-of-use asset—net	$ 110,796	$ 112,941
Finance lease assets—net	Property, plant, and equipment—net	36,570	39,311
Total leased assets		$ 147,366	$ 152,252
Liabilities:			
Current:			
Operating lease obligations	Current portion of operating lease obligations	$ 22,031	$ 19,689
Finance lease obligations	Current portion of long-term debt and finance lease obligations	2,111	1,776
Noncurrent:			
Operating lease obligations	Operating lease obligations	90,197	93,603
Finance lease obligations	Finance lease obligations	43,917	46,171
Total lease liabilities		$ 158,256	$ 161,239

The weighted-average remaining lease term and weighted-average discount rate as of and for the years ended September 30 were as follows:

	2022	2021
Operating leases	6.1	6.9
Finance leases	16.4	17.2
Weighted-Average Discount Rate		
Operating leases	2.63 %	2.87 %
Finance leases	4.00	4.00

The components of lease expense and their classification in the consolidated statement of operations and changes in net assets for the years ended September 30 were as follows:

Components of Lease Expenses	**Classification in Consolidated Statement of Operations and Changes in Net Assets**	**2022**	**2021**
Operating lease expenses:			
Operating lease expenses	Other operating expenses	$ 28,996	$ 27,059
Short-term rent expenses	Other operating expenses	2,551	2,086
Variable lease expenses	Other operating expenses	2,505	2,201
Total operating lease expenses		34,052	31,346
Finance lease expenses:			
Amortization on leased assets	Depreciation and amortization	2,789	2,698
Interest on leased assets	Interest expense	1,880	1,968
Total finance lease expenses		4,669	4,666
Total lease expenses		$ 38,721	$ 36,012

Sublease income for the Health System was $1,102 and $1,684 for the years ended September 30, 2022 and 2021, respectively, and was reported as other revenue in the consolidated statements of operations and changes in net assets.

Supplemental cashflow information related to leases for the years ended September 30 includes:

	2022	**2021**
Cash paid for amounts included in the measurement of lease obligations:		
Operating cash outflows from operating leases	$ 31,256	$ 29,428
Operating cash outflows from finance leases	1,880	2,122
Financing cash outflows from finance leases	2,117	1,790
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	24,106	22,117
Finance leases	48	-

The following table reconciles the undiscounted minimum lease payment amounts to the operating and finance lease obligations on the balance sheet as of:

Years Ending September 30	Operating Leases	Finance Leases	Total
2023	$ 24,696	$ 3,903	$ 28,599
2024	21,843	4,006	25,849
2025	19,440	3,347	22,787
2026	15,083	3,297	18,380
2027	13,476	3,363	16,839
Thereafter	27,777	46,013	73,790
Total lease payments	122,315	63,929	186,244
Less imputed interest	(10,087)	(17,902)	(27,989)
Present value of future minimum lease payments	112,228	46,027	158,255
Less current lease obligations	(22,031)	(2,110)	(24,141)
Long-term lease obligations	$ 90,197	$ 43,917	$ 134,114

The Health System leases out buildings or portions of buildings that it owns or leases. The following table sets forth the minimum rental income for those leases as of:

Years Ending September 30	Minimum Rental Revenue
2023	$ 3,883
2024	2,508
2025	1,221
2026	386
2027	217
Thereafter	5
	$ 8,220

The Health System's largest operating lease is for a multibuilding complex near our largest hospital, known as St. Luke's Plaza (SLP). On March 8, 2018, the Health System entered into a Master Lease agreement (the "Master Lease") to lease 582,527 square feet of office space in Boise, Idaho. At the time the Health System entered the Master Lease it only occupied a portion of the office space with the remainder being leased out to other third parties. Under the Master Lease the Health System assumed responsibility for managing all other leases at SLP and in exchange became the recipient of all payments for these third-party leases, in a sublet arrangement. Since the initial commencement of the Master Lease the Health System continues to increase the amount of space it occupies at SLP. The Master Lease is with the property owner Broadway Park Holdings (BPH), a joint venture in which the Health System owns a membership interest of 49.5%. The Health System accounts for its ownership in BPH under the equity method of accounting. As of September 30, 2022, the future minimum payments of the Master Lease of SLP are expected to be $62,775 over the remaining term of the lease which ends March 7, 2030.

Goodwill

Goodwill, included in other assets, as of September 30, 2022 and 2021, consists of:

	2022	2021
Goodwill	$ 37,393	$ 37,393
Less accumulated amortization	(14,957)	(11,217)
Total Goodwill	$ 22,436	$ 26,176

Goodwill amortization expense was $3,739 and $3,739 for the years ending September 30, 2022 and 2021, respectively.

Expected future amortization expenses related to goodwill as of September 30, 2022, is as follows:

Years Ending September 30	Amortization
2023	$ 3,739
2024	3,739
2025	3,739
2026	3,739
2027	3,739
Thereafter	3,741
	$ 22,436

5. ASSETS WHOSE USE IS LIMITED

Assets whose use is limited that will be used for obligations classified as current liabilities and the current portion of pledges receivable are reported in current assets. Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value, based on quoted market prices of identical or similar assets.

The majority of the Health System's investments are independently advised and managed by independent investment managers. The following table sets forth the composition of assets whose use is limited as of September 30, 2022 and 2021:

	2022	**2021**
Board designated funds:		
Cash and cash equivalents	$ 11,576	$ 26,838
Mutual funds and other equities	247,827	467,673
Corporate bonds, notes, mortgages and asset-backed securities	554,222	604,555
Government and agency securities	74,126	223,323
Partnerships and joint ventures	63,822	35,703
Interest receivable	2,424	2,199
Due to donor restricted and permanent endowment funds	(50,560)	(45,044)
	903,437	1,315,247
Less amounts classified as current assets	(50,751)	(45,854)
	$ 852,686	$ 1,269,393
Restricted funds:		
Cash and cash equivalents	$ 54,882	$ 3,082
Corporate bonds, notes, mortgages and asset-backed securities	28,678	-
	$ 83,560	$ 3,082
Permanent endowment funds—due from Board designated funds	$ 22,962	$ 17,692
Donor restricted plant replacement and expansion funds and other specific purpose funds:		
Due from Board designated funds	$ 27,598	$ 27,352
Pledges receivable	2,998	3,130
	$ 30,596	$ 30,482

Investment income for assets limited as to use, cash equivalents, and other investments for the years ended September 30, 2022 and 2021, are comprised of the following:

	2022	2021
Investment income:		
Interest income	$ 16,084	$ 16,037
Realized (loss) gain on sales of securities and other investments	(11,547)	28,212
	$ 4,537	$ 44,249
Change in net unrealized (loss) gain on investments	$ (110,172)	$ 37,296

Proceeds received from the Series 2021A Bonds are restricted to qualified expenditures related to projects of the Health System and are held by the Series 2021A Bond Trustee in a Construction Fund. The initial deposit was $100,865 and the remaining balance as of September 30, 2022, was $80,121.

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are principally held by the Health System's wholly owned subsidiary, St. Luke's Health Foundation, Ltd. ("the Foundation") and have been donated for multiple programs and initiatives throughout the Health System, principally related to furthering the advancement of patient care. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. These assets are generally restricted for funding a specific program, capital projects, and other purposes. Other donor restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. These assets are generally restricted to provide ongoing income for a specific program.

Net assets with donor restrictions as of September 30, 2022 and 2021, for the following purposes, were as follows:

	2022	2021
Subject to expenditures for specified purpose:		
Equipment and expansion	$ 8,329	$ 6,237
Research and education	6,481	6,269
Charity and other	14,989	19,395
Total subject to specified purpose	29,799	31,901
Perpetual endowment:		
Equipment and expansion	330	279
Research and education	12,317	9,783
Charity and other	10,315	7,630
Total subject to permanent endowment	22,962	17,692
Total net assets with donor restrictions	$ 52,761	$ 49,593

The Health System's endowment consists of funds established for a variety of purposes. Endowments include both donor-restricted endowment funds and funds designated by the Board.

The composition of endowment net assets as of September 30, 2022 and 2021, were as follows:

	2022	**2021**
Donor-restricted endowment net assets	$ 22,962	$ 17,692
Board-designated endowment net assets	(2,962)	4,849
Total endowment net assets	$ 20,000	$ 22,541

Changes in endowment net assets during 2022 and 2021 were as follows:

	2022	**2021**
Endowment net assets—beginning of period	$ 22,541	$ 18,159
Investment returns	66	1,022
Unrealized (loss) gain	(3,189)	3,132
Contributions	1,218	475
Transfers to remove or add to Board-designated endowment funds	(636)	(247)
Endowment net assets—end of period	$ 20,000	$ 22,541

Periodically, the fair value of assets associated with the individual donor restricted endowment funds may fall below the level that the donor requires the Health System to retain as a fund of perpetual duration. Deficiencies of this nature did not exist for the years ended September 30, 2022 and 2021. The Health System has a policy that permits spending from underwater endowment funds, unless otherwise precluded by donor intent or relevant laws and regulations. The Health System's policy allows for up to 4.5% of the total investment pool balance on a 12-quarter average to be released annually from the endowment to support designated programs. This policy also applies to underwater endowments.

7. DEBT

Long-term debt as of September 30, 2022 and 2021, consists of the following:

	2022	2021
Obligations to Idaho Health Facilities Authority:		
Series 2021A Fixed Rate Bonds	$ 218,595	$ -
Series 2021A Fixed Rate Bond Premium	22,516	-
Series 2018A Fixed Rate Bonds	153,690	158,795
Series 2018A Fixed Rate Bond Premium	15,184	15,769
Series 2018B Taxable Fixed Rate Bonds	149,910	149,910
Series 2018C Variable Rate Revenue Bonds	73,760	73,760
Series 2018D Variable Rate Direct Purchase	70,000	70,000
Series 2018E Variable Rate Direct Purchase	-	63,090
Series 2014A Fixed Rate Bonds	162,820	163,640
Series 2014A Fixed Rate Bond Premium	7,707	8,066
Series 2012A Fixed Rate Bonds	-	75,000
Series 2012A Fixed Rate Bond Premium	-	476
Banc of America Public Capital Corp Equipment Financing	19,783	24,843
Finance lease obligations	46,027	47,947
Notes payable	23,328	24,053
Total debt and finance lease obligations	963,320	875,349
Less current portion	15,542	14,463
Total long term debt, excluding deferred financing costs	947,778	860,886
Deferred financing costs	(5,960)	(5,005)
Total long term debt and finance lease obligations	$ 941,818	$ 855,881

As of September 30, 2022, the maturity schedule of long-term debt, excluding deferred financing costs, is as follows:

Years Ending September 30	Long-Term Debt	Finance Leases	Total
2023	$ 13,432	$ 3,903	$ 17,335
2024	13,716	4,006	17,722
2025	19,456	3,347	22,803
2026	19,621	3,297	22,918
2027	20,324	3,363	23,687
Thereafter	830,744	46,013	876,757
	$ 917,293	63,929	981,222
Less imputed interest		(17,902)	(17,902)
		$ 46,027	$ 963,320

Obligations to Idaho Health Facility Authority

Series 2012A—Represents Fixed Rate Revenue Bonds payable in annual payments ranging from $23,780 to $26,220, beginning March 2045 through March 2047. The Series 2012A Bonds bear interest at a fixed rate ranging from 4.50% to 5.00% per annum calculated based on a 360-day year comprised of 12 30-day months and are payable on March 1 and September 1 of each year. The average interest rate (which includes amortization of costs of issuance) during 2022 was 4.83%.

The Series 2012A Bonds outstanding balance of $75,000 was refunded as part of the Series 2021A issuance with proceeds being deposited directly with the bond trustee to be used to redeem the bonds on March 1, 2022.

Series 2014A—Represents Fixed Rate Revenue Bonds, payable in annual installments ranging from $170 to $16,080 beginning March 2016 through March 2044. The Series 2014A Bonds bear interest at a fixed rate ranging from 2.00% to 5.00% per annum calculated on the basis of a 360-day year comprised of 12 30-day months and are payable on March 1 and September 1 of each year. The average interest rate (which includes amortization of costs of issuance) during 2022 was 4.81%.

The Series 2014A Bonds maturing on or after March 1, 2025, are subject to redemption prior to maturity at the option of the Health System on or after March 1, 2024.

Series 2018A—Represents Fixed Rate Revenue Bonds, payable in annual installments ranging from $995 to $18,285 beginning March 2020 through March 2048. The Series 2018A Bonds bear interest at a fixed rate ranging from 4.00% to 5.00% per annum calculated on the basis of a 360-day year comprised of 12 30-day months and are payable on March 1 and September 1 of each year. The average interest rate during 2022 was 4.80%.

The Series 2018A Bonds maturing on or after March 1, 2029, are subject to redemption prior to maturity at the option of the Health System on or after September 1, 2028.

Series 2018B—Represents taxable Fixed Rate Revenue Bonds, payable in annual installments ranging from $7,705 to $49,160 beginning March 2039 through March 2048. The Series 2018B Bonds bear interest at a fixed rate of 5.02% per annum calculated on the basis of a 360-day year comprised of 12 30-day months and are payable on March 1 and September 1 of each year. The average interest rate during 2022 was 5.02%.

The Series 2018B Bonds are subject to redemption prior to maturity at the option of the Health System. The Series 2018B Bonds may be converted to another interest rate mode at the option of the Health System upon compliance with certain conditions set forth in the bond documents.

Series 2018C—Represents Variable Rate Revenue Bonds, payable in annual installments ranging from $600 to $6,000 beginning March 2026 through March 2048. The interest on the Series 2018C Bonds is payable monthly, as the Series 2018C Bonds are currently held in the Daily Mode and supported by an irrevocable direct pay letter of credit. At the option of the Health System, the Series 2018C Bonds may be converted to the Weekly Mode, Commercial Paper Mode, Adjustable Long Mode, Bank Loan Mode, Index Mode, FRN Rate Mode, Fixed Mode or another Daily Mode upon compliance with certain conditions set forth in the bond documents. The average interest rate during 2022 was .86%.

The Series 2018C Bonds are subject to redemption prior to maturity at the option of the Health System and, while in a Daily Mode or Weekly Mode, to optional tender by the bondholder. In the event of optional tender of the bonds, funds for repayment of the purchase price of the bonds are available from a letter of credit facility, which is scheduled to expire on June 30, 2025. As of September 30, 2022, the bonds were in the Daily Mode.

Series 2018D—Represents Variable Rate Direct Purchases, payable in annual installments ranging from $555 to $5,660 beginning March 2026 through March 2048. The interest on the Series 2018D Bonds is payable monthly, as the Series 2018D Bonds are currently held in the LIBOR Index Mode. At the conclusion of the initial LIBOR Index Mode (July 1, 2026) and at the option of the Health System, the Series 2018D Bonds may be converted to the Daily Mode, Weekly Mode, Commercial Paper Mode, Adjustable Long Mode, Bank Loan Mode, another Index Mode, FRN Rate Mode, or the Fixed Mode upon compliance with certain conditions set forth in the bond documents. The average interest rate during 2022 was 1.07%.

Series 2018E—Represents Variable Direct Purchases, payable in annual installments ranging from $500 to $5,110 beginning March 2026 through March 2048. The interest on the Series 2018E Bonds is payable monthly, as the Series 2018E Bonds are currently held in the LIBOR Index Mode. At the conclusion of the initial LIBOR Index Mode (July 1, 2028) and at the option of the Health System, the Series 2018E Bonds may be converted to the Daily Mode, Weekly Mode, Commercial Paper Mode, Adjustable Long Mode, Bank Loan Mode, another Index Mode, FRN Rate Mode, or the Fixed Mode upon compliance with certain conditions set forth in the bond documents. The average interest rate during 2022 was .78%.

The Series 2018E Bonds outstanding balance of $63,090 was refunded as part of the Series 2021A issuance with proceeds being deposited directly with the bond trustee to be used to redeem the bonds on December 1, 2021.

Series 2021A—Represents Fixed Rate Revenue Bonds, payable in annual installments ranging from $770 to $32,895 beginning March 2026 through March 2051. The Series 2021A Bonds bear interest at a fixed rate ranging from 3.00% to 5.00% per annum calculated on the basis of a 360-day year comprised of 12 30-day moths and are payable on March 1 and September 1 of each year. The average interest rate during 2022 was 3.72%

The 2021A Bonds maturing on or after March 1, 2033, are subject to redemption prior to maturity at the option of the Health System on or after March 1, 2032.

Banc of America Public Capital Corp—Represents ten-year debt financing, payable in quarterly installments, which include principal and interest of $1,366 beginning August 2016 through May 2026. The Banc of America Public Capital Corp debt is secured by the Health System's EHR system and bears interest at a fixed rate of 1.756% per annum payable quarterly on February 18th, May 18th, August 18th, and November 18th.

Notes Payable—These notes are secured by medical office buildings. Principal and interest are payable on a monthly basis. Per the agreements, the notes mature on December 31, 2022. Interest is fixed at 4.25%.

See further discussion related to the notes payable below, in the Fiscal Year 2023 Term Loans section.

Lines of Credit—The Health System has an unsecured credit agreement with Key Bank, N.A. The agreement allows for borrowings up to $60,000 and has a maturity date of March 1, 2025. In the event that principal amounts are outstanding, interest is incurred at the Secured Overnight Financing Rate (SOFR) plus a margin of .65%. The line of credit, among other things, contains a non-usage fee on the actual daily unborrowed portion of the principal amount available at the rate of one-tenth of 1% per annum. There were no amounts outstanding as of September 30, 2022 and 2021.

The Health System carries insignificant unsecured credit balances with Wells Fargo Bank, N.A. for working capital strategy needs such as vendor payments and employee reimbursements. Principal amounts are paid in full on a monthly basis and no interest was incurred related to these balances for the years ended September 30, 2022 and 2021.

Interest Costs—During the years ended September 30, 2022 and 2021, the Health System incurred total interest costs of $35,073 and $31,480, respectively. During 2022 and 2021, $5,574 and $7,195, respectively, has been capitalized and is reflected as a component of property, plant, and equipment. During the years ended September 30, 2022 and 2021, the Health System made cash payments for interest of $36,099 and $32,095, respectively, and cash payments for bond fees of $1,132 and $1,137, respectively.

Covenants—Debt agreements held by the Health System include a range of required covenants, provisions and conditions. The primary covenants are related to minimum debt service coverage, unrestricted cash positions, minimum credit ratings, and maximum indebtedness to capitalization. At September 30, 2022, the Health System was in compliance with all covenants, provisions and conditions required by outstanding agreements.

Fiscal Year 2023 Term Loans—On October 18, 2022, the Health System closed on four taxable, bank term loan agreements, resulting in gross proceeds of $250,000. On December 13, 2022, $23,219 of the proceeds was used to pay off all the outstanding principal balance of the Notes Payable described within this footnote as they were expiring on December 31, 2022 and would have required renewal at unfavorable rates. The remaining proceeds are held in investment funds for the future benefit of the Health System.

8. EMPLOYEE RETIREMENT PLANS

Defined Benefit Plans—The St. Luke's Regional Medical Center, Ltd. Basic Pension Plan (the "SLRMC Plan") covers substantially all eligible employees employed by the Health System (with the exception of St. Luke's Magic Valley Regional Medical Center, Ltd. (SLMV) employees on or before December 31, 1994. The SLRMC Plan was amended and restated effective January 1, 1995, to exclude employees hired on or after that date from participation in the SLRMC Plan; however, the SLRMC Plan remains in effect for those participants who qualify and were hired prior to January 1, 1995. Employees eligible for the SLRMC Plan with five or more years of service are entitled to annual pension benefits beginning at normal retirement age (65), or after obtaining age 62 with 25 years of service, equal to a percentage of their highest five-year average annual compensation, not to exceed a certain maximum. The Health System makes annual contributions to the SLRMC Plan as necessary.

The SLMV Plan covers substantially all eligible SLMV employees employed by SLMV on or before April 1, 2005. The SLMV Plan was amended and restated effective April 1, 2005, to exclude employees hired on or after that date from participation in the SLMV Plan. The SLMV Plan remained in effect for those participants whose sum of their age plus years of credited service exceed 65 or who exceeded 10 years of service as of April 1, 2005, however, benefits were frozen for all participants effective September 30, 2010. Participants are entitled to annual pension benefits beginning at normal retirement age (65), or after obtaining age 60 with 30 years of service, equal to a calculation based on either average annual compensation or credited service. The Health System makes annual contributions to the SLMV Plan as necessary.

On October 28, 2022, the Health System issued a notice of intent to terminate the SLMV Plan. The plan termination date is expected to be December 31, 2022, and all required notices, government approvals, participant elections, distributions of plan assets, and other administrative work is expected to be completed by March of 2024. We have filed for a determination letter with the IRS to request a final determination of the plans tax qualified status. The plan termination will involve lump sum payments and an annuity purchase, which will trigger a settlement charge under ASC 715. The Health System will recognize a gain/loss upon settlement of the defined benefit obligations through the payment of lump sums and purchase of irrevocable annuity contracts related to the plan termination. The timing of the settlement recognition is expected to occur between December 2023 and March 2024 for the payment of lump sums and for the purchase of an irrevocable annuity contract. The amount of the settlement recognition will be determined using the economic environment at the time of recognition.

The following table sets forth the SLRMC Plan and the SLMV Plan (collectively the "Plans") funded status, amounts recognized in the Health System's consolidated financial statements and other related financial information:

	SLRMC	SLMV	Total 2022	Total 2021
Projected benefit obligation for service rendered to date	$ 141,665	$ 40,837	$ 182,502	$ 262,391
Plan assets—at fair value	134,111	40,856	174,967	227,566
Funded status	$ (7,554)	$ 19	$ (7,535)	$ (34,825)
Employer contributions	$ 14,000	$ -	$ 14,000	$ 14,143
Accrued pension liability (all noncurrent)	7,554	-	7,554	38,132
Accrued pension asset	-	(19)	(19)	(3,307)
Change in funded status	(30,787)	3,251	(27,536)	(35,728)
Benefits paid	15,018	3,258	18,276	21,228
Accumulated benefit obligation	135,516	40,837	176,353	251,838

The following table presents the pension benefit costs:

	SLRMC	SLMV	Total 2022	Total 2021
Service cost	$ 2,443	$ -	$ 2,443	$ 2,822
Interest cost	4,760	1,106	5,866	5,721
Expected return on plan assets	(7,718)	(994)	(8,712)	(9,568)
Amortization of prior service cost	80	-	80	80
Amortization of net loss	3,604	600	4,204	7,964
Settlement loss recognized	-	-	-	2,079
Net periodic pension cost	$ 3,169	$ 712	$ 3,881	$ 9,098

Service cost is recorded on the consolidated statement of operations, within the line-item employee compensation and benefits. The other components of net periodic benefit cost are recorded in the statement of changes in net assets, as other components of net periodic pension cost.

Amounts recognized in net assets without donor restrictions related to the Plans at September 30, consist of:

	SLRMC	SLMV	Total 2022	Total 2021
Prior service cost	$ 32	$ -	$ 32	$ (112)
Net actuarial gain (loss)	21,366	21,676	43,042	(60,378)

The measurement date used to determine pension benefits is September 30. Contributions to the Plans for the year ending September 30, 2023, are expected to be approximately $7,000.

The overall investment strategy and policy has been developed based on the need to satisfy the long-term liabilities of the Plans. Asset class allocations are determined on a sliding scale according to the funded status of each individual plan. Risk management is accomplished through diversification across asset classes, multiple investment manager portfolios, and both general and portfolio-specific investment guidelines. The asset allocation guidelines for the Plans, including allocation ranges, are as follows:

	Target SLRMC	**Target SLMV**	**Allocation Range**
Asset Class:			
Broad US Equity	35 %	- %	-5% / 5 %
Broad International Equity	29	-	-5 / 5
Core Real Estate	5	-	-3 / 3
Liability Hedging Fixed	31	100	-8 / 8
Cash Equivalents	-	-	N/A / 3

Managers are expected to generate a total return consistent with their philosophy and outperform both their respective peer group medians and an appropriate benchmark, net of expenses, over a one-, three-, and five-year period. The investment guidelines contain categorical restrictions such as no commodities, short-sales and margin purchases; and asset class restrictions that address such things as single security or sector concentration, capitalization limits and minimum quality standards.

Expected long-term returns on the Plans' assets are estimated by asset classes, and are generally based on historical returns, volatilities and risk premiums. Based upon the Plans' asset allocation, composite return percentiles are developed upon which the Plans' expected long-term return is determined. As of September 30, 2022, the amounts and percentages of the fair value of Plans' assets were as follows:

	SLRMC		**SLMV**	
Broad US Equity	$ 43,403	32 %	$ -	- %
Broad International Equity	33,229	25	-	-
Core Real Estate	6,175	5	-	-
Liability Hedging Fixed	49,923	37	40,801	100
Cash Equivalents	1,381	1	55	-
Total	$ 134,111	100 %	$ 40,856	100 %

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid from the Plans:

	SLRMC	SLMV	Total
2023	$ 12,624	$ 3,119	$ 15,743
2024	12,043	40,487	52,530
2025	12,153	-	12,153
2026	12,082	-	12,082
2027	12,171	-	12,171
Thereafter	57,648	-	57,648
	$ 118,721	$ 43,606	$ 162,327

Assumptions used in determining the actuarial present value of net periodic benefit cost of the Plans were as follows:

SLRMC	2022	2021
Service cost discount rate	2.96 %	2.89–2.98 %
Service cost interest rate	2.74 %	2.61–2.65 %
Interest cost rate on benefit obligations	2.32	2.16–2.24
Rate of increase in future compensation levels	2.00–4.00	2.00–4.00
Expected long-term rate of return on assets	5.40	6.00
SLMV		
Service cost discount rate	N/A	N/A
Service cost interest rate	N/A	N/A
Interest cost rate on benefit obligations	2.14 %	1.96 %
Expected long-term rate of return on assets	2.20	3.90

Assumptions used in determining the actuarial present value of projected benefit obligation of the Plans were as follows:

SLRMC	2022	2021
Weighted average discount rate	5.59 %	2.82 %
Rate of increase in future compensation levels	2.00–4.00	2.00–4.00
SLMV		
Weighted average discount rate	5.40 %	2.74 %

The principal cause of the change in the unfunded pension liability was due to the settlement, participant movement, plan experience, passage of time and an increase in the discount rate, offset by employer contributions and overall market performance.

Supplemental Retirement Plan for Executives—The Supplemental Retirement Plan for Executives (SERP) is a non-qualified retirement plan for certain executives of the Health System. The following table sets forth the funded status, amounts recognized in the Health System's consolidated financial statements, and other SERP financial information:

	2022	2021
Projected benefit obligation for service rendered to date	$ 19,229	$ 25,852
Plan assets—at fair value	-	-
Funded status	$(19,229)	$(25,852)
Employer paid benefits	$ 1,418	$ 1,418
Accrued pension liability (noncurrent)	17,639	24,304
Accrued pension liability (current)	1,590	1,548
Change in funded status	(6,623)	(973)
Accumulated benefit obligation	19,229	25,761

The following table presents the pension benefit costs:

	2022	2021
Service cost	$ -	$ -
Interest cost	539	515
Amortization of prior service cost	-	29
Amortization of net loss	2,275	2,248
Net periodic pension cost	$ 2,814	$ 2,792

Service cost is recorded on the consolidated statement of operations, within the line-item employee compensation and benefits. The other components of net periodic benefit cost are recorded in the statement of changes in net assets, as other components of net periodic pension cost.

Due to its non-qualified status, the SERP is considered unfunded under the Employee Retirement Income Security Act, as disclosed above. The Health System has set aside funds in a Rabbi Trust for the purpose of funding the SERP. The Rabbi Trust asset balance on September 30, 2022 and 2021, was $18,904 and $22,943, respectively.

The measurement dates used to determine pension benefits is September 30. The Health System expects to make approximately $1,590 of benefit payments directly to plan participants for the year ending September 30, 2023. The projected benefit obligation decrease was primarily driven by participant movement, plan experience, the passage of time, and an increase in the discount rate.

Amounts recognized in net assets without donor restrictions related to the SERP on September 30, 2022 and 2021, consist of:

	2022	2021
Prior service cost	$ -	$ -
Net actuarial gain (loss)	3,159	(4,860)

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid from the SERP:

	Benefit Payments
2023	$ 1,548
2024	1,584
2025	1,571
2026	1,557
2027	1,542
Thereafter	7,410
	$ 15,212

Assumptions used in determining the actuarial present value of net periodic benefit cost were as follows:

	2022	2021
Spot discount rates	2.15–2.74 %	1.97–2.64 %
Rate of increase in future compensation levels	4.00	4.00

Assumptions used in determining the actuarial present value of projected benefit obligation were as follows:

	2022	2021
Weighted average discount rate	5.61 %	2.74 %
Rate of increase in future compensation levels	4.00	4.00

Defined Contribution Plan—The Health System sponsors two defined contribution plans (the "Contribution Plans") that cover substantially all employees. The Health System's contributions to these Contribution Plans are at the discretion of the Board. Amounts contributed are allocated to participants based on individual compensation amounts, years of service, and the participant's level of participation in tax deferred annuity programs. During 2022 and 2021, contributions to these Contribution Plans were $69,667 and $56,262, respectively.

9. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following disclosure of the estimated fair value of financial instruments is made in accordance with the requirements of ASC 825, "*Financial Instruments*". The Health System accounts for certain assets and liabilities at fair value or on a basis that is approximate to fair value. The estimated fair value amounts have been determined by the Health System using available market information and appropriate valuation methodologies. However, considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Health System could realize in a current market exchange.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value should be based on the assumptions that the market participants would use, including a consideration of nonperformance risk.

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

Level 1—Quoted (unadjusted) prices for identical assets or liabilities in active markets that the Health System has the ability to access.

Level 2—Other observable inputs, either directly or indirectly, including: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified or contractual term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3—Unobservable inputs for the asset or liability. The determination to measure the asset or liability as a level 3 depends on the significance of the input to the fair value measurement.

The asset or liabilities fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. In instances where the inputs used to measure fair value fall into different levels of the hierarchy, the fair value measurement has been determined based on the lowest-level input that is significant to the fair value measurement in its entirety. The Health 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. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs. The Health System's policy is to recognize transfers between all levels as of the beginning of the reporting period.

Following is a description of the valuation methodologies used for the Health System's assets or liabilities measured at fair value.

Cash and Cash Equivalents—The carrying amounts reported in the balance sheet approximate their fair value.

Accounts Receivables, Accounts Payable, Accrued Liabilities, and Estimated Payable to Medicare and Medicaid Programs—The carrying amounts reported in the balance sheet approximate their fair value.

Assets Whose Use is Limited—These assets consist primarily of cash and cash equivalents, mutual funds, debt and equity securities, and pledges receivable. For cash and cash equivalents, pledges receivable and interest receivable, the carrying amount reported in the balance sheet approximates fair value.

For mutual funds the fair value is based on the value of the daily closing price as reported by the fund. Mutual funds held by the Health System are open-end mutual funds that are registered with the Securities and Exchange Commission. The mutual funds held by the Health System include funds that are traded on both active and inactive markets.

For equities (common stock), the fair value is based on the value of the closing price reported on the active market on which the individual securities are traded.

For government obligations, the fair value is measured using pricing models maximizing the use of observable inputs for similar securities.

For commercial paper, the fair value is based on amortized cost with observable inputs, including security cost, maturity, and credit rating.

For debt securities, the fair value is measured using quoted market prices and/or other market data for the same or comparable instruments and transactions in establishing the prices, discounted cash flows, and other pricing models. These models are primarily industry standard models that consider various assumptions, including time value and yield curve as well as other relevant economic measures.

For Limited Partnerships ("LP's"), the fair value of each of the funds are derived from their net asset values (NAV) disclosed on their financial statements. Domestic LP's follow generally accepted accounting principles in the United States ("GAAP") and international LP's follow the International Financial Reporting Standards ("IFRS").

For investments for which no market prices are readily available, LP's will mark assets on a quarterly basis considering all factors, information and data deemed by the LP to be pertinent. A discounted cash flow approach for asset acquisitions and a quantitative model for debt investments is used. In addition, a yield analysis is performed that assesses the expected market yield for an investment with a similar level of risk. LP's have formal valuation committees that meet regularly to discuss the appropriateness of the valuations for each respective investment. Lastly, LP's employ multiple third-party valuation consultants to provide positive assurance on all market value determinations at least once during a trailing 12-month period.

The following tables set forth by level within the fair value hierarchy a summary of the Health System's investments measured at fair value on a recurring basis:

	Fair Value Measurements as of September 30, 2022, Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
Investments:				
Cash and cash equivalents	$ 66,458	$ -	$ -	$ 66,458
Mutual funds and other equities	64,264	183,563	-	247,827
Government and agency securities	4,769	69,357	-	74,126
Partnerships and joint ventures	-	-	63,822	63,822
Corporate bonds, notes, mortgages and asset-backed securities	-	439,309	-	439,309
Subtotal	$ 135,491	$ 692,229	$ 63,822	891,542
Investments measured at net asset value:				
Mortgages and asset-backed securities				143,591
Total assets				$ 1,035,133

	Fair Value Measurements as of September 30, 2021, Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
Investments:				
Cash and cash equivalents	$ 29,920	$ -	$ -	$ 29,920
Mutual funds and other equities	75,660	391,869	144	467,673
Government and agency securities	-	223,323	-	223,323
Partnerships and joint ventures	-	34,560	1,143	35,703
Corporate bonds, notes, mortgages and asset-backed securities	-	449,042	-	449,042
Subtotal	$ 105,580	$ 1,098,794	$ 1,287	1,205,661
Investments measured at net asset value:				
Mortgages and asset-backed securities				155,513
Total assets				$ 1,361,174

The Health System's use of Level 3 unobservable inputs accounts for 7.16% and .11%, respectively, of the total fair value of assets as of September 30, 2022 and 2021. For the years ending September 30, 2022 and 2021, there were $34,560 and $0 transfer of assets into or out of Level 3.

The following table summarizes the changes in Level 3 assets measured at fair value as of September 30:

	2022	**2021**
Beginning balance	$ 1,287	$ 636
Purchases	25,043	566
Sales	(1,068)	(400)
Realized and unrealized gains	4,000	485
Transfers	34,560	-
Ending Balance	$ 63,822	$ 1,287

Fair Value of Pension Plan Assets—In addition to the types of assets listed above as held by the Health System, the Employee Retirement Plans also hold assets within limited partnerships, limited liability companies, and common collective trusts.

Mutual funds are valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-ended mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price.

Government obligations are valued at pricing models maximizing the use of observable inputs for similar securities.

LP's and limited liability companies are valued at fair value based on the audited financial statements of the partnerships and the percentage ownership in the partnership. This method is an accepted practical expedient that is considered equivalent to NAV. The assets held were further considered for level of inputs used. When quoted prices are not available for identical or similar assets, real estate assets are valued under a discounted cash flow or lender survey approach that maximizes observable inputs but includes adjustments for certain risks that may not be observable, such as cap and discount rates, maturities and loan to value ratios.

Common collective trusts are valued at the NAV of units of a bank collective trust. The NAV, as provided by the trustee, is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities. This practical expedient is not used when it is determined to be probable that the fund will sell the investment for an amount different than the reported NAV. Were the Plan to initiate a full redemption of the collective trust, the investment advisor reserves the right to temporarily delay withdrawal from the trust in order to ensure that securities liquidations will be carried out in an orderly business manner.

The following table sets forth by level, based on the hierarchy requirements for fair value guidance outlined previously, a summary of the assets of the Employee Retirement Plans measured at fair value on a recurring basis:

	Fair Value Measurements as of September 30, 2022, Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Pension assets:				
Cash and cash equivalents	$ 2,112	$ -	$ -	$ 2,112
Domestic mutual funds	18,702	-	-	18,702
International mutual funds	34,828	49,923	-	84,751
Domestic stocks	7,522	-	-	7,522
International stocks	771	6,009	-	6,780
Corporate bonds, notes, mortgages and asset backed securities	-	27,326	-	27,326
Government and agency securities	5,392	1,680	-	7,072
Limited partnerships and liability companies	-	-	6,175	6,175
Subtotal	$ 69,327	$84,938	$6,175	160,440
Investments measured at net asset value:				
Common collective trusts				14,527
Total assets				$174,967

	Fair Value Measurements as of September 30, 2021, Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Pension assets:				
Cash and cash equivalents	$ 3,848	$ -	$ -	$ 3,848
Domestic mutual funds	67,846	-	-	67,846
International mutual funds	23,190	-	-	23,190
Domestic stocks	9,731	-	-	9,731
International stocks	8,937	-	-	8,937
Corporate bonds, notes, mortgages and asset backed securities	-	35,626	-	35,626
Government and agency securities	-	11,148	-	11,148
Limited partnerships and liability companies	-	-	8,100	8,100
Subtotal	$113,552	$46,774	$8,100	168,426
Investments measured at net asset value:				
Common collective trusts				59,140
Total assets				$227,566

The Health System's use of Level 3 unobservable inputs accounts for 3.53% and 3.56%, respectively, of the total fair value of Employee Retirement Plan assets as of September 30, 2022 and 2021. For the years ending September 30, 2022 and 2021, there were no transfers of Plan assets into or out of Level 3.

The following table summarizes the changes in Level 3 assets measured at fair value as of September 30:

	2022	2021
Beginning balance	$ 8,100	$ 7,244
Sales	(3,600)	-
Realized and unrealized gains	1,438	399
Miscellaneous fees	(51)	(104)
Interest received	288	561
Ending Balance	$ 6,175	$ 8,100

Unrealized Gains and Losses—The unrealized gains and losses on investment accounts at September 30, 2022, were determined to be temporary in nature as the change in market value for these assets was the result of fluctuating interest rates and market activity rather than the deterioration of the credit worthiness of the issuers. In the event that the Health System disposes of these securities before maturity, it is expected that the realized gains or losses, if any, will be immaterial both quantitatively and qualitatively to the statement of operations and financial position as of the Health System's fiscal year end.

The following tables show the Health System's investments' fair values and gross unrealized losses for individual securities that have been in a continuous loss position for 12 months or less as of September 30, 2022, and those that have been in a loss position for 12 months or more as of September 30, 2022. These investments are interest-yielding debt securities of varying maturities. The Health System has determined that the unrealized loss position for these securities is primarily due to market volatility. Generally, in a rising interest rate environment, the estimated fair value of fixed income securities would be expected to decrease; conversely, in a decreasing interest rate environment, the estimated fair value of fixed income securities would be expected to increase. These securities may also be negatively impacted by illiquidity in the market.

	In a Continuous Loss Position for Less than 12 Months		
	Estimated Fair Value	Unrealized (Losses)	Total Number of Positions
Corporate bonds, notes, mortgages and asset-backed securities	$ 258,390	$ (12,688)	521
Mutual funds and other equities	54,661	(9,299)	48
Partnerships and joint ventures	49,210	(4,760)	2
Government & agency securities	59,687	(4,414)	188
Total	$ 421,948	$ (31,161)	759

	In a Continuous Loss Position for more than 12 Months		
	Estimated Fair Value	Unrealized (Losses)	Total Number of Positions
Corporate bonds, notes, mortgages and asset-backed securities	$ 171,511	$ (14,831)	298
Mutual funds	8,015	(1,580)	6
Partnerships and joint ventures	34,752	(13,512)	1
Government & agency securities	14,497	(2,502)	23
Total	$ 228,775	$ (32,425)	328

Fair Value of Debt—The interest rate on the Health System's Variable Rate Revenue Bonds is reset daily to reflect current market rates. Consequently, the carrying value approximates fair value. The carrying amount reported in the balance sheet for finance leased assets approximates its fair value.

The estimated fair value of the Fixed Rate Bonds as of September 30, 2022 and 2021, was $624,622 and $633,587, respectively, and are based on Level 2 inputs within the fair value hierarchy. The fair value was estimated by discounting the future cash flows using rates currently available for debt of similar terms and maturity. The carrying value of the Fixed Rate Bonds as of September 30, 2022 and 2021, was $685,015 and $547,345, respectively.

The estimated fair value of the notes payable as of September 30, 2022 and 2021, was $23,155 and $27,659, respectively. The fair value is based on Level 2 inputs within the fair value hierarchy and was estimated by discounting the future cash flows using rates currently available for debt of similar terms and maturity. The carrying value of the notes payable as of September 30, 2022 and 2021, was $23,328 and $24,053, respectively.

The fair value estimates presented herein are based on pertinent information available to management as of September 30, 2022. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since that date, and current estimates of fair value may differ significantly from the amounts presented herein.

10. COMMITMENTS AND CONTINGENCIES

The Health System uses a combination of self-insurance and commercial insurance to provide protection from multiple exposures for its hospitals and other entities.

Healthcare Professional and General Liability coverage is provided through Sequoyah Assurance, Ltd. (the Captive), a Cayman domiciled wholly owned subsidiary of St. Luke's Regional Medical Center, Ltd. The Captive reimburses the Health System for liability up to $3 million per claim (healthcare professional liability) and $3 million per claim (general liability) with a $15 million combined annual aggregate. Coverage is provided on a claims-made and reported basis for both types of described coverage. The Health System makes contributions to the Captive based on funding levels recommended by an independent actuary.

The Captive provides the Health System with excess professional and general liability coverage up to a limit of $50 million. Two towers of coverage are provided. One tower for a total of $50 million in limits is provided for excess professional liability and a separate tower for a total of $50 million in limits is provided for excess general liability, automobile liability, ambulance liability, employer's liability, and aviation liability. Coverage is provided on a claims-made and reported basis for professional and general liability. Coverage is provided on an occurrence basis for automobile liability, ambulance liability, employer's liability, and aviation liability. The Captive excess professional and general liability policy is 100% reinsured by various third-party reinsurers. Should the Captive reinsurers be unable to reimburse the Health System for recoverable claims, the Captive would still be liable to pay the claims; however, the Captive only contracts with highly rated insurance carriers in order to mitigate this risk.

The Captive provides the Health System with coverage for Cyber Security with a $1.5 million reimbursement policy.

The Health System maintains reserves based primarily on actuarial estimates provided by an independent third party for the portion of its professional liability risks, including incurred but not reported claims, for which it does not have insurance coverage. Reserves for losses and related expenses are estimated using expected loss reporting patterns and are discounted to their present value using a discount rate of 3.0%. There can be no assurance that the ultimate liability will not exceed such estimates. Adjustments to the estimated reserves are included in results of operations in the periods when such amounts are determined. As of September 30, 2022 and 2021, the Health System had professional liability recorded in accounts payable and accrued liabilities in the amounts of $36,627 and $32,272, respectively.

As of September 30, 2022 and 2021, the Health System had commitments on construction contracts and equipment purchases totaling $154,428 and $81,160, respectively.

The Health System is routinely involved in other litigation matters and regulatory investigations arising in the normal course of business. After consultation with legal counsel, management estimates that each of these matters will be resolved without material effect on the Health System's future financial position, results of operations, or cash flows.

11. FUNCTIONAL EXPENSES

The Health System provides medical and healthcare services to residents within its geographic location. Expenses from continuing operations related to providing these services for the years ended September 30, 2022 and 2021, are allocated as follows:

	2022	**2021**
Professional, nursing, and other patient care services	$ 3,115,353	$ 2,657,430
Fiscal and administrative support services	561,948	468,318
	$ 3,677,301	$ 3,125,748

12. INCOME TAXES

Income tax expense for the Health System differs from the income tax expense at the U.S. federal statutory tax rate of 21% due to state taxes, net of a federal benefit, nondeductible business meals and entertainment expenses, and tax-exempt earnings of our not-for-profit entities.

Deferred income taxes resulted from temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements, resulting in taxable or deductible amounts in future years and net operating loss carryforwards (NOLs).

Management assesses the available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit use of the existing DTAs for each of the Health System's legal entities. A significant piece of objective negative evidence evaluated was the cumulative loss incurred over the three-year period ended September 30, 2022. Such objective evidence limits the ability to consider other subjective evidence, such as our projections for future growth.

As of September 30, 2022, the Health System has net operating loss carryforwards in the amount of $177,792 and $131,586 for federal and state jurisdictions, respectively. The NOLs are set to expire in years 2023 through 2042. The Health System does not believe that it is more likely than not they will utilize these losses prior to their expiration and as such has provided a full valuation allowance against these losses. The amount of the DTA considered realizable, however, could be adjusted if estimates of future taxable income during the carryforward period are reduced or increased or if objective negative evidence in the form of cumulative losses is no longer present and additional weight is given to subjective evidence such as our projections for growth.

The Health System accounts for uncertain tax positions in accordance with ASC 740. Management is not aware of any uncertain tax positions that should be recorded. The Health System includes penalties and interest, if any, with its provision for income taxes in the non-operating items in the consolidated statements of operations and changes in net assets.

The Health System is subject to taxation in the United States and Idaho jurisdictions. As of September 30, 2022, the Health System's tax years for 2018, 2019, 2020 and 2021 are subject to examination by the tax authorities. As of September 30, 2022, the Health System is no longer subject to U.S. Federal or Idaho examinations by tax authorities for tax years before 2018.

13. SUBSEQUENT EVENTS

The Health System has evaluated subsequent events through December 16, 2022. This is the date the financial statements were available to be issued.

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CONSOLIDATING SUPPLEMENTAL SCHEDULES

St. Luke's Health System, Ltd. and Subsidiaries

Consolidating Balance Sheet
As of September 30, 2022
(In thousands)

	Obligated Group (1)	Non-Obligated Group	Eliminating Entries	Consolidated
Assets				
Current assets				
Cash and cash equivalents	$ 74,805	$ 4,133	$ -	$ 78,938
Receivables—net	464,538	109,572	(69,040)	505,070
Inventories	49,803	3,333	-	53,136
Prepaid expenses	36,692	4,421	-	41,113
Current portion of assets whose use is limited	50,751	-	-	50,751
Total current assets	676,589	121,459	(69,040)	729,008
Assets whose use is limited	931,843	57,961	-	989,804
Property, plant, and equipment—net	1,267,283	87,344	-	1,354,627
Operating lease right of use assets	109,561	1,235	-	110,796
Other assets	65,785	144	(3,155)	62,774
Total assets	$ 3,051,061	$ 268,143	$ (72,195)	$ 3,247,009
Liabilities and net assets				
Current liabilities				
Accounts payable and accrued liabilities	$ 197,283	$ 93,139	$ (55,907)	$ 234,515
Compensation and related liabilities	270,111	1,525	-	271,636
Medicare cash advances	1,743	-	-	1,743
Estimated payable to Medicare and Medicaid programs	52,418	4,479	-	56,897
Current portion of operating lease obligations	21,120	911	-	22,031
Current portion of long-term debt and finance lease obligations	15,542	-	-	15,542
Total current liabilities	558,217	100,054	(55,907)	602,364
Long-term debt	897,901	-	-	897,901
Operating lease obligations	89,936	261	-	90,197
Long-term finance lease obligations	43,917	-	-	43,917
Pension liabilities	24,751	-	-	24,751
Other liabilities	1,850	-	-	1,850
Net assets				
Net assets without donor restriction	1,434,489	115,067	(16,288)	1,533,268
Net assets with donor restriction	-	52,761	-	52,761
Total net assets	1,434,489	167,828	(16,288)	1,586,029
Total liabilities and net assets	$ 3,051,061	$ 268,143	$ (72,195)	$ 3,247,009

(1) Includes St. Luke's Health System, Ltd., St. Luke's Regional Medical Center, Ltd., St. Luke's Nampa Medical Center, Ltd., St. Luke's Magic Valley Medical Center, Ltd.

	Obligated Group (1)	Non-Obligated Group	Eliminating Entries	Consolidated
Revenues				
Net patient service revenue	$ 2,726,198	$ 145,926	$ (532,778)	$ 2,339,346
Capitated revenue	7,929	1,304,525	(153,539)	1,158,915
Other revenue (including rental income)	173,718	14,187	(49,106)	138,799
Government assistance	39,680	3,004	-	42,684
Net assets released from restrictions—operating	(3,104)	(1,187)	-	(4,291)
Total revenues	2,944,421	1,466,455	(735,423)	3,675,453
Expenses				
Employee compensation and benefits	1,701,640	81,132	3,220	1,785,992
Supplies and drugs	605,918	20,824	(5)	626,737
Medical claims	-	1,306,842	(678,756)	628,086
Other operating expenses	487,027	63,722	(59,882)	490,867
Total operating expenses	2,794,585	1,472,520	(735,423)	3,531,682
Earnings (losses) before interest, depreciation and amortization	149,836	(6,065)	-	143,771
Deprecation and amortization	111,524	4,596	-	116,120
Interest	29,499	-	-	29,499
Net operating income (loss)	8,813	(10,661)	-	(1,848)
Investment income	4,434	103	-	4,537
Loss on early extinguishment of debt	(144)	-	-	(144)
Revenue in excess (deficient) of expenses	13,103	(10,558)	-	2,545
Change in net unrealized gains on investments	(109,809)	(363)	-	(110,172)
Net assets released from restriction—capital	829	293	-	1,122
Other components of net periodic pension cost	(4,228)	-	-	(4,228)
Change in funded status of pension plan	25,584	-	-	25,584
Decrease in net assets without donor restrictions	$ (74,521)	$ (10,628)	$ -	$ (85,149)

(1) Includes St. Luke's Health System, Ltd., St. Luke's Regional Medical Center, Ltd., St. Luke's Nampa Medical Center, Ltd., St. Luke's Magic Valley Medical Center, Ltd.