CONSOLIDATED FINANCIAL STATEMENTS

CATHOLIC HEALTH SYSTEM, INC.
AND SUBSIDIARIES

DECEMBER 31, 2021

CATHOLIC HEALTH SYSTEM, INC. AND SUBSIDIARIES

CONTENTS

FreedMaxick® CPAs, P.C.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Catholic Health System, Inc.
Buffalo, New York

Opinion

We have audited the accompanying consolidated financial statements of Catholic Health System, Inc. and subsidiaries (collectively, the System), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the consolidated financial statements).

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

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 and GAS 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 consolidated financial statements.

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated financial statements.

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

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

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

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

Emphasis of Matter
As discussed in Note 17 to the consolidated financial statements, the System consummated two transactions subsequent to December 31, 2021.

Other Reporting Required by *Government Auditing Standards*
In accordance with GAS, we have also issued our report dated April 22, 2022 on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with GAS in considering the System's internal control over financial reporting and compliance.

Freed Maxick CPAs, P.C.

Buffalo, New York
April 22, 2022

CATHOLIC HEALTH SYSTEM, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(in thousands of dollars)
December 31,

	2021	2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ 291,571	$ 223,453
Restricted cash	5,069	-
Patient/resident accounts receivable	154,897	170,179
Other receivables	8,741	5,752
Inventories	24,358	23,675
Prepaid expenses and other current assets	15,350	17,347
Total current assets	499,986	440,406
Assets limited as to use	51,311	87,138
Investments	42,921	226,085
Property and equipment, net	458,550	465,186
Operating lease right-of-use assets, net	34,544	40,039
Other assets	113,555	119,736
Total assets	$ 1,200,867	$ 1,378,590
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current portion of long-term obligations	$ 11,554	$ 11,537
Current portion of operating lease liabilities	6,408	8,084
Grant obligation	5,069	-
Accounts payable	75,472	68,338
Accrued expenses	100,758	113,239
Due to third-party payors	48,629	47,141
Medicare advances	40,836	66,837
Deferred revenue and refundable advances	8,539	11,206
Total current liabilities	297,265	326,382
Long-term obligations, net	303,687	311,583
Long-term operating lease liabilities, net	28,731	32,318
Other long-term obligations	541,568	631,280
Total liabilities	1,171,251	1,301,563
Net assets:		
Without donor restrictions	17,562	69,009
With donor restrictions	12,054	8,018
Total net assets	29,616	77,027
Total liabilities and net assets	$ 1,200,867	$ 1,378,590

See accompanying notes.

CATHOLIC HEALTH SYSTEM, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
(in thousands of dollars)
For the Years Ended December 31,

	2021	2020
Revenues and other support without donor restrictions:		
Net patient service revenue	$ 1,133,598	$ 1,056,728
Other revenue	44,039	29,635
CARES Act Provider Relief Funding	19,126	87,144
Net assets released from restrictions	277	584
Total revenues and other support without donor restrictions	1,197,040	1,174,091
Expenses:		
Salaries and wages	659,060	569,558
Employee benefits	151,690	150,204
Medical and professional fees	51,823	53,998
Purchased services	142,484	148,015
Supplies	227,921	209,335
Depreciation and amortization	58,557	48,852
Interest	11,325	12,936
Insurance	16,444	16,080
Other expenses	47,754	38,966
Total expenses	1,367,058	1,247,944
Loss from operations	(170,018)	(73,853)
Non-operating revenues and expenses:		
Investment income	23,000	19,822
Other components of net periodic pension cost	(12,661)	(11,435)
Other revenues and gains, net	894	489
Total non-operating revenues and expenses	11,233	8,876
Deficiency of revenues over expenses	$ (158,785)	$ (64,977)

See accompanying notes.

CATHOLIC HEALTH SYSTEM, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS (CONTINUED)
(in thousands of dollars)
For the Years Ended December 31,

	2021	2020
Net assets without donor restrictions:		
Deficiency of revenues over expenses	$ (158,785)	$ (64,977)
Change in unrealized gain (loss) on interest rate swaps	434	(176)
Change in pension obligation, other than net periodic cost	97,177	(67,376)
Net assets released from restrictions used for capital	1,644	762
Grant revenue for capital expenditures	8,124	15,348
Other	(59)	(192)
Decrease in net assets without donor restrictions before effects of discontinued operations	(51,465)	(116,611)
Gain from discontinued operations	18	756
Decrease in net assets without donor restrictions	(51,447)	(115,855)
Net assets with donor restrictions:		
Contributions	5,651	2,010
Investment income	35	32
Special events revenue, net	272	15
Net assets released from restrictions	(1,921)	(1,346)
Other	(1)	(294)
Increase in net assets with donor restrictions	4,036	417
Decrease in net assets	(47,411)	(115,438)
Net assets, beginning of year	77,027	192,465
Net assets, end of year	$ 29,616	$ 77,027

See accompanying notes.

CATHOLIC HEALTH SYSTEM, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands of dollars)
For the Years Ended December 31,

	2021	2020
Cash flows from operating activities:		
Decrease in net assets	$ (47,411)	$ (115,438)
Gain from discontinued operations	(18)	(756)
Net assets acquired	(811)	-
Adjustments to reconcile decrease in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	58,557	48,852
Change in minimum pension liability adjustment	(97,177)	67,376
Undistributed earnings in equity investees	(29)	(385)
Amortization of discount on debt issuance	22	24
Amortization of premium on debt issuance	(1,461)	(1,461)
Amortization of debt issuance costs	349	543
Impairment of goodwill	6,098	-
Gain on sale of property and equipment	(617)	-
Change in unrealized gain on investments	10,751	(15,810)
Realized gain on investments	(33,241)	(1,539)
Realized (gain) loss on interest rate swaps	(447)	182
Other	134	766
Decrease (increase) in assets:		
Patient/resident accounts receivable	15,282	(50,976)
Other receivables	(2,039)	1,053
Inventories	(683)	(1,217)
Prepaid expenses and other current assets	2,031	(9,523)
Other assets	972	(330)
Increase (decrease) in liabilities:		
Grant obligation	5,069	-
Accounts payable	7,478	4,848
Accrued expenses	(12,683)	7,488
Due to third-party payors	1,488	(1,675)
Medicare advances	(26,001)	66,837
Deferred revenue and refundable advances	(2,667)	11,206
Other liabilities	7,221	14,523
Net cash (used in) provided by operating activities	(109,833)	24,588
Cash flows from investing activities:		
Purchase of property and equipment	(48,505)	(95,582)
Proceeds from sale of property and equipment	726	-
Purchase of assets limited as to use	-	(11,797)
Proceeds from sale of assets limited as to use	255	10,942
Purchase of investments	(8,813)	(66,234)
Proceeds from sale of investments	214,279	2,277
Distributions from equity investments	272	-
Purchase of intangible assets	-	(566)
Purchase of equity investments, net of cash acquired	(949)	-
Net cash provided by (used in) investing activities	157,265	(160,960)
Cash flows from financing activities:		
Repayments of current and long-term obligations	(9,881)	(13,304)
Net cash used in financing activities	(9,881)	(13,304)
Increase (decrease) in cash, cash equivalents and restricted cash	37,551	(149,676)
Cash, cash equivalents and restricted cash - beginning of year	306,450	456,126
Cash, cash equivalents and restricted cash - end of year	$ 344,001	$ 306,450

See accompanying notes.

NOTE 1. ORGANIZATION

Catholic Health System, Inc. and Subsidiaries (the System) is an integrated healthcare delivery system in Western New York jointly sponsored by the Diocese of Buffalo, New York and Franciscan Sisters of Saint Joseph of Hamburg, New York. The Franciscan Sisters of Saint Joseph of Hamburg, New York and the Diocese of Buffalo, New York are also the corporate members of the System.

In November 2021, the Franciscan Sisters of Saint Joseph of Hamburg, New York became a corporate member of the System pursuant to the terms of a member substitution agreement with Trinity Health, a prior corporate member of the System.

Catholic Health System, Inc. is the sole corporate member of the following subsidiaries:

Parent Subsidiaries: The Parent Subsidiaries include Catholic Health Parent (Parent), Catholic Health Emmaus, Inc. (Emmaus), Sterling Surgical, LLC (Sterling) and Healthcare Solutions Western New York, LLC (HCS).

Acute Care Subsidiaries: The Acute Care Subsidiaries (also collectively referred to as the Hospitals) include Mercy Hospital of Buffalo (MHB) including Mercy Hospital Foundation, Inc., Kenmore Mercy Hospital (KMH) including Kenmore Mercy Foundation, Inc. and the McAuley Residence which includes KMH Homes Inc., Sisters of Charity Hospital (SCH) including Sisters Hospital Foundation, Inc. and Mount St. Mary's Hospital (MSM) including Mount St. Mary's Hospital Foundation and Mount St. Mary's Child Care Center.

Home and Community Based Subsidiaries: The Home and Community Based Subsidiaries include Western New York Catholic Long-Term Care, Inc. d/b/a Father Baker Manor (FBM), St. Francis Geriatric and Healthcare Services, Inc. (SFG), Niagara Homemakers Services, Inc. d/b/a Mercy Home Care (MHC), McAuley Seton Home Care Corporation (MSHC) and Catholic Health Infusion Pharmacy (Infusion Pharmacy).

Other Subsidiaries: The Other Subsidiaries include Our Lady of Victory Renaissance Corporation (OLV Renaissance), Continuing Care Foundation (CCF), Catholic Health System Program of All Inclusive Care for the Elderly, Inc. (LIFE), Trinity Medical WNY, P.C. (Trinity), and Niagara Medicine, P.C. (Niagara Medicine).

Discontinued Operations: The Discontinued Operations consistent of four long-term care facilities (St. Elizabeth's Home for the Aged, St. Vincent's Home for the Aged, St. Francis Home of Williamsville and Nazareth Home of the Franciscan Sisters of the Immaculate Conception), whose operations ceased prior to 2016 and whose physical assets were sold prior to 2017. The residual assets and liabilities are maintained in the respective legal entities until such time that they can be wound down and legally disposed of or transferred.

The residual assets (net of intercompany receivables), liabilities (net of intercompany payables), and accumulated net deficit of the discontinued operations were $8,874, $4,328 and ($3,711), respectively, as of December 31, 2021 and are included within their natural classifications in the accompanying consolidating balance sheet. The residual assets (net of intercompany receivables), liabilities (net of intercompany payables), and accumulated net deficit of these discontinued operations were $9,057, $4,528 and ($3,729), respectively, as of December 31, 2020.

The aggregate gain from discontinued operations was approximately $18 and $756 for the years ended December 31, 2021 and 2020, respectively.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in preparing the accompanying consolidated financial statements are summarized below:

Basis of Accounting: The accompanying consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United State of America (US GAAP).

Principles of Consolidation: The consolidated financial statements of the System include the accounts of the Catholic Health System, Inc. and each of its wholly owned or controlled subsidiaries. All significant intercompany balances and transactions have been eliminated to reflect the consolidated amounts.

Recently Adopted Accounting Pronouncements: In August 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-14, *Compensation – Retirement Benefits – Defined Benefit Plans – General (Topic 715-20): Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans*. This ASU intends to improve the effectiveness of disclosures in the notes to the consolidated financial statements by modifying disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. The System adopted the new standard January 1, 2021. The adoption of ASU 2018-14 did not have a material impact on the consolidated financial statements.

Use of Estimates: The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates made by the System include, but are not limited to, the reserves for asset retirement obligations, implicit price concessions, reserve for third-party payor contractual adjustments and allowances, the provision for estimated receivables and payables for final settlements with those payors, the insurance reserves for workers' compensation, health insurance, professional and general liability, and actuarial assumptions used in determining pension obligations.

Risks and Uncertainties: Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is at least possible that changes in risks in the near term could materially affect the net assets of the System.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates related to third-party payment matters will change by a material amount in the near term.

Cash and Cash Equivalents: The System considers all highly liquid investments with original maturities of three months or less when purchased to be cash and cash equivalents. Cash equivalents are measured at fair value in the consolidated balance sheets and exclude amounts restricted, board designated, or held in trusts. The System maintains funds in excess of amounts insured by the Federal Depository Insurance limits. The System has diversified its deposit amounts in a variety of institutions to reduce the level of concentrated credit risk. The System has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk with respect to cash.

(in thousands of dollars)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The reconciliation of cash, cash equivalents and restricted cash within the consolidated balance sheets that comprise the amount reported on the consolidated statements of cash flows at December 31, 2021 and 2020 is as follows:

	2021	2020
Cash and cash equivalents	$ 291,571	$ 223,453
Restricted cash	5,069	-
Cash and cash equivalents in investments	936	981
Restricted cash and cash equivalents in assets limited as to use	46,425	82,016
Total cash, cash equivalents and restricted cash	$ 344,001	$ 306,450

Supplemental disclosure of cash flow information and non-cash investing and financing transactions for the years ended December 31 are as follows:

	2021	2020
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	$ 16,572	$ 12,946
Non-cash investing and financing transactions:		
Assets acquired under finance lease obligations	$ 3,090	$ 1,626
Decrease in construction related payables	$ (378)	$ (5,970)

Restricted Cash/Grant Obligation: Pursuant to agreements dated January 29, 2021, and March 19, 2021, Mount St. Mary's Hospital Foundation (MSMF) awarded Eastern Niagara Hospital (ENH) grants in the amount of $1,000 and $7,500, respectively. These grants were awarded to assist ENH with providing healthcare services while it is winding down operations, to ensure the residents of Niagara County have access to high-quality healthcare services. MSMF disburses the grant funds only to pay for the direct cost of ENH's medical and pharmacy supplies purchases for use and used at their facilities and/or other direct expenses paid by ENH, not to exceed the total grant amount of $8,500. During the year ended December 31, 2021, MSMF granted ENH $3,431. At December 31, 2021, restricted cash and the corresponding grant liability amounted to $5,069 ($0 – 2020).

Patient/Resident Accounts Receivable: Patient/resident accounts receivable consists of amounts due from government programs, commercial insurance companies, private pay patients, and other group insurance programs. The System grants credit without collateral to its patients, most of who are residents of Western New York and are insured under third-party agreements. The mix of receivables from patients and third-party payors at December 31 are as follows:

	2021	2020
Medicare	38%	37%
Medicaid	20	22
Blue Cross	8	8
Other third-party payors	25	26
Patients	9	7
	100%	100%

(in thousands of dollars)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Receivables and Other Assets: Other receivables consist of third-party receivables, physician loans, foundation receivables, medical billing receivables, lease and rent receivables and other receivables. There is no allowance for doubtful accounts established against these receivables. Other non-current assets consist of insurance recoveries, investments in healthcare ventures, and goodwill.

The composition of current other receivables and other non-current assets is as follows at December 31:

	2021	2020
Current other receivables:		
Foundation receivables	$ 2,634	$ 1,039
Third-party receivables	2,551	1,776
Other	1,594	1,704
Medical billing customer receivables	1,066	-
Lease and rent receivables	519	461
Physician loans	377	772
Other receivables	$ 8,741	$ 5,752
Non-current other assets:		
Insurance recoveries	$ 106,787	$ 106,785
Goodwill and other	4,163	10,103
Investments in healthcare ventures	2,605	2,848
Other assets	$ 113,555	$ 119,736

Inventories: Inventory consists primarily of drugs, medical supplies and food. These inventories are generally stated at the lower of cost (first-in, first-out) or net realizable value.

Assets Limited as to Use: Assets limited as to use include assets set aside for debt service as required by trustee or indenture agreements, and assets set aside by the Board of Directors for specific future purposes. The Board retains control of these funds and may at its discretion subsequently use for other purposes.

Investments: Investments in marketable securities with readily determinable fair values and investments in debt securities are reported at their fair values in the consolidated balance sheets.

Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. Investment income (including realized and unrealized gains or losses on investments, interest, and dividends) is included in the deficiency of revenues over expenses, unless their use is restricted by donor stipulations or law.

Property and Equipment: Property and equipment are stated at cost if purchased, or if contributed, at the fair value on the date contributed. Depreciation is computed using the straight-line method over useful lives ranging from three to forty years. Equipment under finance lease is amortized on the straight-line method over the shorter of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the consolidated statements of operations and changes in net assets.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Gifts of long-lived assets such as land, building, or equipment are reported as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Operating Lease Right-of-Use Assets: The System records an operating lease right-of-use asset (that is an asset that represents the System's right to use the leased asset for the lease term) for leases that do not meet the criteria as a financing lease. The right-of-use asset is recorded at the present value of future lease payments, adding initial direct costs and prepaid lease payments, reduced by any lease incentives. Operating right-of-use assets are amortized using the straight-line method over the related lease term. For the years ended December 31, 2021 and 2020, amortization of operating lease right-of-use assets is included in other expenses in the accompanying consolidated statements of operations and changes in net assets.

Debt Issuance Costs: Debt issuance costs are presented as a reduction of the carrying amount of debt rather than as an asset and amortized over the life of the related obligation. Amortization of debt issuance costs is reported as interest expense in the consolidated statements of operations and changes in net assets. Debt issuance costs, net of accumulated amortization, amounted to $4,794 and $5,143 at December 31, 2021 and 2020, respectively.

Impairment of Long-Lived Assets: The System evaluates its long-lived assets for financial impairment as events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable. The System evaluates the recoverability of long-lived assets not held for sale by measuring the carrying amount of the assets against the estimated undiscounted future cash flows associated with them. If such evaluations indicate that the future undiscounted cash flows of certain long-lived assets are not sufficient to recover the carrying value of such assets, the assets are adjusted to their fair values.

Goodwill represents the excess of the aggregate purchase price over the fair value of net assets acquired. Goodwill was established primarily for the synergies expected to be gained from the integration of the acquired organizations into the existing health care organization. The System accounts for goodwill in accordance with Accounting Standards Codification (ASC) Topic 350, Intangibles - Goodwill and Other. In accordance with ASC Topic 350, goodwill and intangible assets determined to have indefinite lives are not subject to amortization. The System assesses the impairment of goodwill on, at least, an annual basis and whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. On the basis of qualitative information, the System must decide whether it is more than 50% likely that the fair value of the reporting unit is less than its carrying amount. If so, quantitative calculations will be performed to assess goodwill impairment. If it is determined that an impairment has occurred, an impairment loss is recognized for the amount by which the carrying amount of the assets exceeds its estimated fair value. Based on these evaluations, the System recognized an impairment loss on goodwill of $6,098 for the year ended December 31, 2021, which is included in other expenses in the consolidated statements of operations and changes in net assets. No impairment was identified as of December 31, 2020.

Asset Retirement Obligations: The System accrues for asset retirement obligations in the period in which they are incurred if sufficient information is available to reasonably estimate the fair value of the obligation. Over time, the liability is accreted to its settlement value. Upon settlement of the liability, the System will recognize a gain or loss for any difference between the settlement amount and liability recorded. Accretion expense for the years ended December 31, 2021 and 2020 was $728 and $690, respectively, and is included in depreciation and amortization expense in the consolidated statements of operations and changes in net assets.

(in thousands of dollars)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Long-Term Obligations: Other long-term obligations consist of the following at December 31:

	2021	2020
Long-term pension obligations	$ 348,024	$ 432,503
Insurance liabilities	171,043	167,705
Asset retirement obligations	14,858	10,248
Contingent performance obligation	5,699	7,242
Interest rate swap liabilities	1,039	1,486
Other	904	1,310
Deferred FICA taxes	-	10,786
Other long-term obligations	$ 541,567	$ 631,280

Net Patient Service Revenue: Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered including estimated adjustments under various reimbursement agreements with third-party payors and is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by the System. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected or actual charges. Management believes that this method provides a reasonable representation of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to inpatient services. The 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 recognized when goods or services are provided, and management does not believe it is required to provide additional goods or services to the patient.

The System has agreements with third-party payors that provide for payments to the System at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Third-party payors retain the right to review and propose adjustments to amounts recorded by the System. Such adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. The System's Healthcare Assistance Program (HAP) provides discounts to patients based on need. In addition, the System will also assist patients with the application process for free or low-cost insurance. Those uninsured patients who do not qualify for the HAP or low-cost insurance are provided an uninsured discount based on a service-specific uninsured rate. This uninsured rate is similar in calculation method and amount to third-party payor methods and rates. The System estimates the transaction price for patients with deductibles and coinsurance from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change and are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Adjustments arising from a change in the transaction price were not significant in the twelve months ended December 31, 2021 or 2020.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A summary of the payment arrangements with major third-party payors follows:

- **Medicare:** Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. The System also receives reimbursement under a prospective payment system for certain medical outpatient services, based on service groups, called ambulatory payment classifications. Other services are based upon a fee schedule and other methodologies.

- **Medicaid and Other:** Under the New York Health Care Reform Act (NYHCRA) hospitals are authorized to negotiate reimbursement rates for inpatient acute care services with all other non-Medicare payors except for Medicaid, Workers' Compensation and No-Fault, which are regulated by New York State. These negotiated rates may take the form of rates per discharge, reimbursed costs, and discounted charges or as per diem payments. Reimbursement rates for non-Medicare payors regulated by New York State are determined on a prospective basis. These rates also vary according to a patient classification system defined by NYHCRA that is based on clinical, diagnostic, and other factors. Outpatient services are paid under various reimbursement methodologies, including prospective determined rates, cost reimbursement, fee schedules, and charges.

In addition, under NYHCRA, all non-Medicare payors are required to make surcharge payments for the subsidization of indigent care and other health care initiatives. The percentage amount of the surcharge varies by payor and applies to a broad array of health care services. Surcharges are included in patient accounts receivable and the offset is in due to third-party payor liabilities. Surcharges are generally received and paid to the state within a few months. The System is required to prepare and file various reports on actual and allowable costs annually. Management believes that adequate provisions have been made in the consolidated financial statements for prior and current years' estimated settlements. The difference between the amount estimated and the actual final settlement is recorded as an adjustment to net patient service revenue in the year the final settlement is determined.

Amounts recognized for the years ended December 31, 2021 and 2020 related to prior years, including adjustments to prior year estimates, increased revenues by approximately $5,100 and $1,600, respectively. These changes in estimates are related to estimates for prior years cost report reopening, appeals, and tentative final cost reports, some of which are still subject to audit, additional reopening, and/or appeals.

There are various proposals at the federal and state level that could, among other things, adjust payment rates. The outcome of these proposals, regulatory changes and other market conditions cannot presently be determined.

Implicit Price Concessions: Implicit price concessions are based upon management's assessment of expected net collections considering economic experience, trends in health care coverage, and other collection indicators. Periodically throughout the year, management assesses the collectability of accounts not covered by insurance based on historical cash collections. The results of this review are then used to make modifications to the implicit price concessions recognized at time of service. After satisfaction of amounts due from insurance and reasonable efforts to collect from the patient have been exhausted, the System follows established guidelines for placing certain past-due patient balances with collection agencies, subject to terms of certain restrictions on collection efforts as determined by the System. Patient accounts receivable are written off after collection efforts have been followed in accordance with the System's policies. The implicit price concession for the year ended December 31, 2021 amounted to $21,779 ($28,079 – 2020).

(in thousands of dollars)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Patient service revenue recognized in the period from these major payor sources is as follows for the years ended December 31:

	2021	2020
Medicare	45%	44%
Medicaid	17	18
Commercial	35	31
Other third-party payors	2	6
Patients	1	1
	100%	100%

Charity Care: The New York State Public Health Law requires all hospitals to implement financial aid policies and procedures for their patients. The law also requires hospitals to develop and make publicly available a summary of its financial aid policies and procedures. The System provides health care services to all patients on the basis of medical need, not on the ability to pay for services. For patients who meet certain criteria under the System's charity care policy, the System provides care to these patients without charge or at amounts less than its established rates and does not pursue collection of amounts. The System has determined it has provided an implicit price concession to uninsured patients with other uninsured balances (for example, copays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the System expects to collect based on its collection history with those patients. Those patients who meet the System's criteria for charity care are provided care without charge or at amounts less than established rates and the System has determined it has thus provided an implicit price concession. Price concessions, including charity care, are not reported as net patient service revenue.

In addition to charity care, the System provides services to patients covered by Medicaid. The payments received for services provided to patients covered by Medicaid may be at or below costs in addition to the cost of care for patients without insurance.

Of the System's total expenses reported, an estimated $8,664 and $9,183 arose from providing services to charity patients for the years ended December 31, 2021 and 2020, respectively. Additional costs for the Hospitals include required payments for a gross receipts assessment to New York State which is used to fund the New York State Medicaid program and the NYHCRA. Revenues that offset the costs of Charity Care include payments from the New York State Uncompensated Care Pools.

Collective Bargaining Agreements: The System has approximately 38% of its employees working under fourteen collective bargaining agreements. The agreements are set to expire beginning May 31, 2022 through January 31, 2026.

Operating and Non-operating Revenues and Expenses: The System's primary mission is dedicated to meeting the health care needs in the regions in which it operates. The System is committed to providing a broad range of general and specialized health care services including inpatient, primary care, long-term care, outpatient services, and other health care related services. Only those activities directly associated with the furtherance of this mission are considered to be operating activities. Such activities include operation of cafeterias, parking lots, rental real estate and other ancillary activities. Other activities that result in gains or losses unrelated to the System's primary mission are considered to be non-operating activities.

(in thousands of dollars)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Revenue: The composition of other revenue for the years ended December 31, is set forth in the following table:

	2021	2020
Grant revenue	$ 15,846	$ 6,481
340(b) program revenue	9,749	8,507
Rental income	5,415	4,741
Medical billing customer revenue	3,950	-
Other revenue	2,339	1,789
Cafeteria revenue	1,780	1,969
Medicaid health home care coordination revenue	1,665	2,554
Donor contributions to the foundations without donor restrictions	1,147	1,430
Parking revenue	953	912
Other program revenue	828	887
Clinical research	367	365
Other revenue	$ 44,039	$ 29,635

Other Expenses: The composition of other expenses for the years ended December 31, is set forth in the following table:

	2021	2020
Rents and operating leases	$ 13,594	$ 14,098
Sponsorships	8,758	272
Impairment of goodwill	6,098	-
NYS DOH cash receipts assessment	5,982	6,798
Other	4,905	118
Dues	2,966	4,852
Rental equipment	2,240	2,837
Conferences, seminars and travel	2,125	2,125
Subscriptions	523	556
Licenses and taxes	409	244
Staff development	154	7,066
Other expenses	$ 47,754	$ 38,966

Contributions: Contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence and nature of any donor restrictions.

Contributions and pledges that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restrictions expire, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, in the reporting period in which the contribution is recognized. All other donor-restricted support is reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Delivery System Reform Incentive Payment: The Delivery System Reform Incentive Payment (DSRIP) program was created to provide operating assistance to certain providers to promote community-level collaborations and focus on system reform. For the year ended December 31, 2021, the System recorded revenue related to DSRIP funding in the amount of $8,500, which is included in other operating revenue within the consolidated statements of operations and changes in net assets ($0 – 2020).

Deficiency of Revenues over Expenses: The consolidated statements of operations and changes in net assets include deficiency of revenues over expenses, commonly referred to as the performance indicator. Changes in net assets without donor restrictions, which are excluded from deficiency of revenues over expenses, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets), change in unrealized gain (loss) on interest rate swaps, pension liability adjustments, other than net periodic costs, and discontinued operations.

Net Assets without Donor Restrictions: Net assets without donor restrictions are available for the general operating purposes of the System and are not subject to any donor limitations.

Net Assets with Donor Restrictions: Net assets with donor restrictions include those which have been restricted by donors to be maintained in perpetuity as well as those whose use is limited by donors to a specific period or purpose and include the Hospitals interest in the donor-restricted net assets of the Mercy Hospital Foundation, Inc., Sisters Hospital Foundation, Inc., Kenmore Mercy Foundation, Inc., Mount St. Mary’s Hospital Foundation, and Continuing Care Foundation, Inc. (collectively, the Foundations). Net assets with donor restrictions represent resources whose use is limited by donor-imposed stipulations that either expire by the passage of time or are met by specific actions of the Foundations. Some donor-imposed restrictions are temporary in nature and 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 restriction and are reported on the consolidated statements of operations and changes in net assets as net assets released from restrictions used for capital. Net assets with donor restrictions are released to net assets without donor restrictions as restrictions are met, which can occur within the same period. Gifts whose restrictions are met within the same period in which they are received are recorded as an increase in net assets without donor restrictions. Other donor-imposed restrictions are perpetual in nature, consisting primarily of endowments, which require that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions. Net assets with donor restrictions, which amounted to $12,054 at December 31, 2021 ($8,018 – 2020), consist primarily of contributions restricted for use towards various capital projects at the Hospitals. Proceeds from these contributions are included in the consolidated balance sheets under the captions of cash and cash equivalents and investments. Investment returns are included in net assets without donor restrictions unless the return is restricted by donor or law. Contributions receivable are included under the captions of other receivables within the consolidated balance sheets.

Endowments: For the years ended December 31, 2021 and 2020, the Mercy Hospital Foundation, Inc. and the Sisters Hospital Foundation Inc., had $246 of net assets with donor restrictions to be maintained in perpetuity from the proceeds of a Charitable Remainder Unitrusts (CRUT). The CRUTs are included under the caption of investments within the consolidated balance sheets. The Foundations segregated these restricted funds that are to be maintained in perpetuity to enable preservation of purchasing power, as well as to ensure maintenance of the donor's intent. Mount St. Mary’s Hospital Foundation, Inc. had $63 of net assets with donor restrictions to be maintained in perpetuity, from the proceeds of a trust, as of December 31, 2021 ($60 – 2020). The trust is included under the caption of investments within the consolidated balance sheets. Per the trust agreement, earnings shall be divided such that half of the earnings are to be to be used by Mount St. Mary’s Hospital Foundation in line with donor-imposed stipulations and the other half is to be added to the principal and remain in perpetuity.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes: The consolidated financial statements do not include a provision for income taxes, as the System is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Tax-exempt organizations are subject to federal taxes on unrelated business income under section 511 of the Internal Revenue Code which are reported under the caption of other expenses in the consolidated statements of operations and changes in net assets

Transactions among Subsidiaries: Common costs incurred by the Parent are allocated to the subsidiaries on a pro-rata cost basis formula. The allocation of these costs is recorded as other revenue by the Parent and are recorded by the subsidiaries as a component of the natural account classification. The related income and expense are eliminated in the consolidated financial statements. The respective assets and liabilities are also eliminated in the consolidated financial statements.

Capitalized Software Costs: The System capitalizes certain costs that are incurred to purchase or to create, implement and enhance internal-use computer software, which includes software coding, installation, testing and certain data conversion from both internal and external providers in accordance with accounting guidance. These capitalized costs are amortized on a straight-line basis over ten years and reviewed for impairment on an annual basis. The System capitalized software, labor and various other costs of $22,403 and $61,872 in 2021 and 2020, respectively. The vast majority of such costs capitalized in 2021 and 2020 are related to the implementation of a new electronic medical records system.

Reclassifications: Certain reclassifications have been made to amounts in the 2020 consolidated financial statements to conform to the 2021 presentation.

NOTE 3. COVID-19 PANDEMIC

The Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law on March 27, 2020, which authorized $100 billion in funding to hospitals and other healthcare providers to be distributed through the Public Health and Social Services Emergency Fund (Relief Funds). Payments from Relief Funds are intended to compensate healthcare providers for lost revenues 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 utilizing Relief Funds to reimburse expenses or losses that other sources are obligated to reimburse.

The System received Relief Funds of $12,476 under the CARES Act during 2021, all of which was recorded as other operating revenue (CARES Act Provider Relief Funding) in the consolidated statements of operations and changes in net assets for the year ended December 31, 2021. The System received Relief Funds of $93,794 under the CARES Act during 2020, of which $87,144 was recognized as other operating revenue (CARES Act Provider Relief Funding) in the consolidated statements of operations and changes in net assets for the year ended December 31, 2020. The remaining $6,650 of CARES Act Provider Relief Funding received during 2020 was recorded as a refundable advance on the consolidated balance sheets at December 31, 2020 and was recognized as other operating revenue for the year ended December 31, 2021.

The CARES Act provides for deferred payment of the employer portion of social security taxes between March 27, 2020 and December 31, 2020, with 50% of the deferred amount due no later than December 31, 2021 and the remaining 50% due no later than December 31, 2022. The System deferred payroll tax payments of $21,572 during 2020. Amounts outstanding relating to this deferral were $13,755 and $21,572 as of December 31, 2021 and 2020, respectively.

(in thousands of dollars)

NOTE 3. COVID-19 PANDEMIC (CONTINUED)

In April 2020, the Centers for Medicare & Medicaid Services (CMS) began to distribute cash advances to medical services providers, including the System, to provide short term liquidity. Such advances to the System amounted to $66,837 during 2020. The repayment terms allow providers 29 months after receipt of the advances to repay the funds in full, after which time interest will begin to accrue on any amounts outstanding. As of December 31, 2021, $40,836 of the Medicare cash advance remains outstanding ($66,837 – 2020).

Additionally, the System submitted claims to the Federal Emergency Management Agency (FEMA) to reimburse costs related to COVID-19 expenditures. The System records FEMA grants as contributions when any related conditions have substantially been met and the funds are approved (obligated). The System recognized $4,095 of FEMA grant revenue in other operating revenue in the consolidated statements of operations and changes in net assets for the year ended December 31, 2021 ($0 – 2020). Refer to Note 17 for further FEMA recognition information.

NOTE 4. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of December 31 are:

	2021	2020
Cash and cash equivalents	$ 290,333	$ 222,057
Patient accounts receivable and other receivables	163,091	175,670
Investments	16,788	201,919
Assets limited as to use	19,269	19,136
Financial assets available to meet general expenditures within one year	$ 489,481	$ 618,782

The System has certain board-designated and donor-restricted assets limited as to use which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the quantitative information above. The System has other assets limited as to use for donor-restricted purposes and debt service. Additionally, certain other board-designated assets are designated for future capital expenditures. These assets limited as to use, which are more fully detailed in Note 5, are not available for general expenditure within the next year and are not reflected in the amounts above. However, the board-designated amounts could be made available, if necessary. As part of the System's liquidity management plan, cash in excess of daily requirements are invested in short-term investments and money market funds. Additionally, the System maintains a $20,000 line of credit as of December 31, 2021, as discussed in more detail in Note 9.

NOTE 5. ASSETS LIMITED AS TO USE

The composition of assets limited as to use is as follows at December 31:

	2021	2020
By Board for capital improvements:		
Funded depreciation:		
Cash and cash equivalents	$ 12,946	$ 12,718
U.S. government obligations	2,696	2,880
Interest receivable	7	11
	15,649	15,609

(in thousands of dollars)

NOTE 5. ASSETS LIMITED AS TO USE (CONTINUED)

	2021	2020
Held by Trustee under Indenture Agreement:		
Cash and cash equivalents	26,439	44,948
U.S. government obligations	1,166	1,170
	27,605	46,118
Held by Trustee under Letter of Credit Agreement:		
Cash and cash equivalents	2,839	2,839
Board Designated for long-term care reinvestment:		
Cash and cash equivalents	3,621	3,621
Delivery System Reform Incentive Payment funds	580	17,890
Other	1,017	1,061
Assets limited as to use	$ 51,311	$ 87,138

NOTE 6. INVESTMENTS

Investments consisted of the following as of December 31:

	2021	2020
Fair value	$ 42,921	$ 226,085
Cost	33,237	203,544
Unrealized gain	$ 9,684	$ 22,541

Investment income is summarized as follows for the years ended December 31:

	2021	2020
Interest and dividend income	$ 510	$ 2,473
Net unrealized and realized gains on investments	22,490	17,349
Investment income	$ 23,000	$ 19,822

Included in investments is $8,868 of restricted investments held by the Foundations due to donor restrictions ($6,536 – 2020).

(in thousands of dollars)

NOTE 7. PROPERTY AND EQUIPMENT

Property and equipment, recorded at cost, consists of the following at December 31:

	2021	2020
Land and land improvements	$ 11,147	$ 9,648
Buildings	300,257	297,513
Equipment	473,820	432,219
Finance leases	55,526	55,174
Leasehold improvements	178,884	165,264
	1,019,634	959,818
Accumulated depreciation	(529,267)	(473,843)
Accumulated amortization on finance leases	(49,506)	(47,079)
	440,861	438,896
Construction in progress	17,689	26,290
Property and equipment, net	$ 458,550	$ 465,186

Depreciation expense for the years ended December 31, 2021 and 2020 amounted to $55,465 and $45,035, respectively. Amortization expense on equipment under finance leases amounted to $2,287 and $3,049 for the years ended December 31, 2021 and 2020, respectively.

NOTE 8. LEASES

The System has operating and finance leases for real estate, personal property and equipment. The System determines if an arrangement is a lease at the inception of a contract. Leases with an initial term of 12 months or less are not recorded on the consolidated balance sheets.

Right-of-use assets represent the System's right to use an underlying asset during the lease term, and lease liabilities represent the System's obligation to make lease payments arising from the lease. Right-of-use assets and liabilities are recognized at the commencement date, based on the net present value of fixed lease payments over the lease term. The System's lease terms include options to extend or terminate the lease when it is reasonably certain that the options will be exercised. As most of the System's operating leases do not provide an implicit rate, the System uses the risk-free rate for the equivalent lease term, as of the commencement date, in determining the present value of lease payments. Finance lease agreements generally include an interest rate that is used to determine the present value of future lease payments. Operating fixed lease expense and finance lease depreciation are recognized on a straight-line basis over the lease term. Variable lease costs consist primarily of common area maintenance and are not significant to total lease expense.

Operating lease right-of-use assets and liabilities were as follows as of December 31:

	2021	2020
Right-of-use assets:		
Operating lease right-of-use assets	$ 34,544	$ 40,039
Lease liabilities:		
Operating lease current liabilities	$ 6,408	$ 8,084
Operating lease noncurrent liabilities	28,731	32,318
Total operating lease liabilities	$ 35,139	$ 40,402

(in thousands of dollars)

NOTE 8. LEASES (CONTINUED)

Finance lease assets and liabilities were as follows as of December 31:

	2021	2020
Finance lease assets:		
Property and equipment, net	$ 6,020	$ 8,095
Finance lease liabilities:		
Current portion of long-term obligations	$ 2,797	$ 3,163
Long-term obligations, net	8,048	8,240
Total finance lease liabilities	$ 10,845	$ 11,403

Operating expenses for the leasing activity of the System as lessee are as follows for the years ended December 31:

Lease Type	Classification	2021	2020
Operating/short-term lease costs	Other operating expenses	$ 13,372	$ 14,793
Financing lease interest	Interest expense	211	207
Financing lease amortization	Depreciation and amortization	2,287	3,049
Total		$ 15,870	$ 18,049

Right-of-use assets obtained for entering into new lease obligations are as follows for the years ended December 31:

	2021	2020
Operating leases	$ 8,226	$ 14,703
Financing leases	3,090	1,626
Total	$ 11,316	$ 16,329

The aggregate future lease payments for financing leases as of December 31, 2021 are disclosed within Note 9. The aggregate future lease payments for operating leases as of December 31, 2021 were as follows:

2022	$ 8,061
2023	6,949
2024	5,592
2025	4,771
2026	3,858
Thereafter	14,437
Total lease payments	43,668
Less: Interest	(8,529)
Present value of lease liabilities	$ 35,139

(in thousands of dollars)

NOTE 8. LEASES (CONTINUED)

Average lease terms and discount rates for the year ended December 31, were as follows:

	2021	2020
Weighted-average remaining lease term:		
Operating leases	8.6 years	9.1 years
Finance leases	4.8 years	6.5 years
Weighted-average discount rate:		
Operating leases	2.6%	2.7%
Finance leases	2.2%	3.8%

NOTE 9. LONG-TERM OBLIGATIONS

Long-term obligations are comprised of the following at December 31:

	2021	2020
Mercy Hospital of Buffalo		
Series 2012 Revenue Bonds (a)	$ 2,423	$ 2,512
Series 2015 Revenue Bonds (b)	9,936	10,221
Series 2019 Revenue Bonds (c)	68,443	68,782
Finance lease obligations, at interest rates ranging from 3.17% to 4.89%, collateralized by equipment	5,427	5,373
	86,229	86,888
Kenmore Mercy Hospital		
Series 2012 Revenue Bonds (a)	11,085	11,501
Series 2015 Revenue Bonds (b)	3,489	3,588
Series 2019 Revenue Bonds (c)	14,954	15,039
Term Loan for KMH Homes, Inc. (d)	1,184	1,883
Finance lease obligations, at interest rates ranging from 3.09% to 4.89%, collateralized by equipment	2,181	2,604
	32,893	34,615
Sisters of Charity Hospital		
Series 2015 Revenue Bonds (b)	4,682	4,816
Series 2019 Revenue Bonds (c)	37,529	37,725
Finance lease obligations, at interest rates ranging from 3.15% to 4.90%, collateralized by equipment	2,532	3,161
	44,743	45,702
Mount St. Mary's Hospital and Health Center		
Series 2019 Revenue Bonds (c)	5,323	5,347
Finance lease obligations and other, at interest rates ranging from 3.40% to 4.90%, collateralized by equipment	452	-
	5,775	5,347

(in thousands of dollars)

NOTE 9. LONG-TERM OBLIGATIONS (CONTINUED)

	2021	2020
Our Lady of Victory Renaissance Corporation		
Series 2007A Variable Rate Demand Bonds (e)	6,230	6,645
Series 2007B Variable Rate Demand Bonds (e)	1,075	1,140
Note payable (f)	300	300
	7,605	8,085
Trinity Medical WNY		
Finance lease obligations, at interest rates ranging from 0.00% to 5.08%, collateralized by equipment	235	19
Note payable (g)	13	26
	248	45
Catholic Health System (Parent)		
Series 2015 Revenue Bonds (b)	65,370	69,487
Series 2019 Revenue Bonds (c)	68,355	68,588
	133,725	138,075
St. Francis Geriatric and Healthcare Services, Inc.		
Promissory Note (h)	8,400	8,765
Sterling Surgical Center, LLC		
Loan payable (i)	108	509
Mortgage payable (j)	294	13
Finance lease obligations, at 6.50% interest rate, collateralized by equipment	15	219
	417	741
Total long-term obligations	320,035	328,263
Less: Debt issuance costs	(4,794)	(5,143)
Less: Current portion of long-term obligations	(11,554)	(11,537)
Total long-term obligations, net	$ 303,687	$ 311,583

a. On July 12, 2012, $17,315 of DASNY Catholic Health System Obligated Group Revenue Bonds, Series 2012 were issued. The Bonds consisted of the following:

- Series 2012A Bonds for $14,235 were loaned to Kenmore Mercy Hospital for the purpose of financing the cost of a new two-story addition, which includes approximately 19,000 square feet on the first floor for a new emergency department, an approximately 14,794 square feet shell space on the second floor, and an approximately 16,000 square feet basement, as well as the cost of renovating existing space, expanding the existing parking lot and related demolition, and other mechanical and infrastructure improvements. Proceeds of the Series 2012A Bonds were also applied to pay certain costs of issuing the Bonds. The discount and premium on the bonds of $157 and $159, respectively, are attributable to the difference between the stated interest rate on these bonds and will be amortized over the life of the bonds.

(in thousands of dollars)

NOTE 9. LONG-TERM OBLIGATIONS (CONTINUED)

- Series 2012B Bonds for $3,080 were loaned to Mercy Hospital of Buffalo for the purpose of funding the cost of improvements to Mercy Hospital of Buffalo's existing approximately 381,000 square foot parking facility containing approximately 1,026 spaces. Proceeds of the Series 2012B Bonds were also applied to pay certain costs of issuing the Bonds. The discount and premium on the bonds of $32 and $46, respectively, are attributable to the difference between the stated interest rate on these bonds and will be amortized over the life of the bonds.

The Series 2012 Bonds were issued under the original Master Trust Indenture (MTI) that was created in 2006 pursuant to the formation of the Obligated Group. In connection with the issuance of the Series 2012 Bonds, the Obligated Group entered into a Loan Agreement whereby the Obligated Group is required to make monthly payments sufficient to pay, among other things, the principal and sinking fund installments of and interest on the Series 2012 Bonds as they become due. The Series 2012 Bonds bear interest at a fixed rate. The interest rates, maturities, and aggregate principal amounts outstanding at December 31, 2021 are as follows:

3.50% Term Bonds Due July 1, 2022	$	1,610
4.00% Term Bonds Due July 1, 2027		2,385
5.00% Term Bonds Due July 1, 2032 (i)		2,960
4.75% Term Bonds Due July 1, 2039		5,530
Total Series 2012A Bonds		12,485
3.50% Term Bonds Due July 1, 2022		710
5.00% Term Bonds Due July 1, 2032 (i)		1,160
4.75% Term Bonds Due July 1, 2039		1,210
Total Series 2012B Bonds		3,080
Total Series 2012 Bonds	$	15,565

(i) Optional redemption on July 1, 2022 at a redemption price of 100% of the principal amount of such Series 2012 Bonds or portions thereof to be redeemed, plus accrued interest to the redemption date.

The Series 2012 Loan Agreements specifies that the Obligated Group shall continuously pledge, as security for the payment of all liabilities and the performance of all obligations of the Obligated Group pursuant to the Loan Agreement, a security interest in and assignment of the gross receipts of the Obligated Group, together with the Hospitals' right to receive or collect the gross receipts. Further, the Obligated Group delivered a mortgage to secure all obligations and liabilities of the Hospitals under the Loan Agreement. As further security to the Loan Agreement, the Obligated Group granted DASNY a security interest in such fixtures, furnishings and equipment as owned by the Obligated Group. The original financial covenants required under the Loan Agreement were consistent with those of the original MTI. The covenants were updated with the restated MTI that was issued with the 2019 issuance.

b. On April 29, 2015, $93,800 of Buffalo and Erie County Industrial Land Development Corporation Catholic Health System Obligated Group Revenue Bonds, Series 2015 were issued. Series 2015 was loaned to the Obligated Group for the purpose of financing the cost of improvements to the Labor & Delivery department, Pre/Post-Operative Holding areas, upgrading the electrical switchgear (Mercy Hospital of Buffalo), Ambulatory Surgery Center (Sisters Hospital and St. Joseph Campus), Operating Room Expansion (Kenmore Mercy Hospital), Enterprise Resource Planning software, leasehold improvements to the Administrative Regional Training Center, and purchase of the Administrative Regional Training Center (Catholic Health System). Proceeds of the Series 2015 Bonds were also applied to pay certain costs of issuing the Bonds. The premium on the bonds of $9,968 is attributable to the difference between the stated interest rate on these bonds and will be amortized over the life of the bonds.

(in thousands of dollars)

NOTE 9. LONG-TERM OBLIGATIONS (CONTINUED)

The Series 2015 Bonds were issued under the MTI that was created in 2006 pursuant to the formation of the Obligated Group. In connection with the issuance of the Series 2015 Bonds, the Obligated Group entered into a Loan Agreement whereby the Obligated Group is required to make monthly payments sufficient to pay, among other things, the principal and sinking fund installments of and interest on the Series 2015 Bonds as they become due. The Series 2015 Bonds bear interest at a fixed rate. The interest rates, maturities, and aggregate principal amounts outstanding at December 31, 2021 are as follows:

5.00% Serial Bonds Due July 1, 2022	$	4,265
5.00% Serial Bonds Due July 1, 2023		4,480
5.00% Serial Bonds Due July 1, 2024		4,705
5.00% Serial Bonds Due July 1, 2025		4,955
5.00% Serial Bonds Due July 1, 2026		1,900
5.00% Serial Bonds Due July 1, 2027		1,995
5.00% Serial Bonds Due July 1, 2028		2,095
5.00% Serial Bonds Due July 1, 2029		2,200
5.00% Serial Bonds Due July 1, 2030		2,305
5.25% Term Bonds Due July 1, 2035		13,440
5.00% Term Bonds Due July 1, 2040		17,275
4.00% Term Bonds Due July 1, 2045		17,630
Total Series 2015 Bonds	$	77,245

c. On April 15, 2019, $184,645 of DASNY Catholic Health System Obligated Group Revenue Bonds, Series 2019 were issued. The Bonds consisted of the following:

Series 2019A Bonds for $140,720 were loaned to the Obligated Group for the purpose of (i) financing portions of certain improvements, equipment and strategic investments, including a new electronic medical records system, maternity services renovations and new sterile processing department; (ii) refund, in full, certain existing bank credit facilities, currently outstanding in the aggregate principal amount of approximately $26,000,000; (iii) refund (a) all of the DASNY Catholic Health System Obligated Group Revenue Bonds, Series 2006A-D and (b) all of the DASNYs Catholic Health System Obligated Group Revenue Bonds, Series 2008; and (iv) pay costs of issuance on the Series 2019A Bonds and the refunding of the Refunded Bonds. The unamortized discount and premium on the bonds as of December 31, 2021 was $150 and $10,108, respectively. The unamortized discount and premium on the bonds as of December 31, 2020 was $163 and $10,999. The Series 2019A Bonds bear interest at a fixed rate.

(in thousands of dollars)

NOTE 9. LONG-TERM OBLIGATIONS (CONTINUED)

The interest rates, maturities, and aggregate principal amounts outstanding at December 31, 2021 are as follows:

5.00% Serial Bonds Due July 1, 2026	$ 2,935
5.00% Serial Bonds Due July 1, 2027	3,075
5.00% Serial Bonds Due July 1, 2028	4,085
5.00% Serial Bonds Due July 1, 2029	4,275
5.00% Serial Bonds Due July 1, 2030	4,485
3.00% Serial Bonds Due July 1, 2031	4,705
5.00% Serial Bonds Due July 1, 2032	4,825
3.00% Serial Bonds Due July 1, 2033	5,945
5.00% Serial Bonds Due July 1, 2034	6,130
5.00% Serial Bonds Due July 1, 2035	6,430
5.00% Serial Bonds Due July 1, 2036	6,750
4.00% Serial Bonds Due July 1, 2037	7,090
4.00% Serial Bonds Due July 1, 2038	7,370
4.00% Serial Bonds Due July 1, 2039	7,670
4.00% Serial Bonds Due July 1, 2040	9,135
5.00% Serial Bonds Due July 1, 2041	9,495
4.00% Term Bonds Due July 1, 2045	46,320
Total Series 2019A Bonds	140,720
Serial Bonds Due July 1, 2046	14,030
Serial Bonds Due July 1, 2047	14,465
Term Bonds Due July 1, 2048	15,430
Total Series 2019B Bonds	43,925
Total Series 2019 Bonds	$ 184,645

Pursuant to the issuance of the Series 2019A and 2019B bonds, the Master Trust Indenture was amended and restated to, among other things, include additional members to the Obligated Group (Mount St. Mary's Hospital, McAuley-Seton Home Care, and Mercy Home Care), remove the previous liquidity and maximum leverage ratio covenant, and revise the long-term debt service coverage ratio to be not less than 1.10. If at any time the long-term debt service coverage ratio is not met, the Obligated Group agrees to retain an independent consultant to make recommendations to increase the long-term debt service coverage ratio in the following fiscal year to the level required or, if in the opinion of the consultant the attainment of that level is impracticable, to the highest level attainable.

Notwithstanding the foregoing, it shall be an event of default under the MTI if for each of two consecutive fiscal years, the long-term debt service coverage ratio is less than 1.00. The System is not in compliance with these covenants as of December 31, 2021. The System is in compliance with these covenants as of December 31, 2020.

d. On December 20, 2017, KMH Homes Inc. entered into a term note with M&T Bank in the amount of $3,752. The loan calls for monthly payments of $64, which includes principal and interest. Initial payment began on February 1, 2018 with the final payment in July 2023. The debt is guaranteed by the System.

NOTE 9. LONG-TERM OBLIGATIONS (CONTINUED)

e. On April 1, 2007, OLV Renaissance entered into agreements with the Erie County Industrial Development Agency (the Agency) for the purpose of obtaining revenue bonds used to finance construction of its Skilled Nursing Facility (SNF) and Program of All-Inclusive Care for the Elderly (PACE) facilities. The agency took title to the facility through a lease agreement and simultaneously conveyed title back to OLV Renaissance through an installment sale of the lease interests. OLV Renaissance is obligated to make lease rental payments to the bond trustee, as the Agency's assignee, in amounts which correspond to the principal and interest payments on the bonds. At the expiration of the leases' term (April 2032), title fully reverts back to OLV Renaissance. On April 25, 2007, the Agency issued variable rate demand revenue bonds with an aggregate principal amount of $11,860. The bond issue consists of two series of bonds: $10,220 in variable rate demand Revenue Bonds Series 2007A (Series 2007A Bonds) and $1,640 in variable rate demand Revenue Bonds Series 2007B (Series 2007B Bonds).

   The variable interest rate is determined by the remarketing agent based on (1) market interest rates for comparable securities; (2) other financial market rates and indices (including, but not limited to treasury bills, commercial paper, commercial bank prime rates, HUD project notes, federal fund rates and LIBOR); (3) general financial and credit market conditions; (4) credit rating and financial condition of OLV Renaissance; and (5) applicable tender provisions which may have bearing on the rate. The variable interest rate was 0.13% and 0.12% for the Series 2007A bonds and 0.31% and 0.40% for the Series 2007B bonds at December 31, 2021 and 2020, respectively. See Note 10 regarding the interest rate swap agreement OLV Renaissance entered into with respect to the Series 2007A Revenue Bonds.

   The bonds are subject to conversion to a fixed interest rate at the written direction of OLV Renaissance. Upon conversion, the remarketing agent shall determine the fixed interest rate as the lowest rate of interest that would be necessary to sell the bonds in the secondary market at par plus accrued interest, based on prevailing market conditions and the yields at which comparable securities are being sold.

   The Series 2007A Revenue Bonds are subject to mandatory sinking fund redemptions in years 2016 to 2032 in amounts ranging from $310 to $740 at variable interest rates. The Series 2007B Revenue Bonds are subject to mandatory sinking fund redemptions in years 2016 to 2032 in amounts ranging from $55 to $115.

   Under the terms of the financing documents, OLV Renaissance has guaranteed payment of all amounts due under the Bonds. Additionally, the bonds are secured by first mortgage liens on all buildings, improvements and equipment now owned or subsequently acquired by OLV Renaissance, all accounts receivable without donor restrictions and a right of setoff against OLV Renaissance's funds held by the trustee.

   In accordance with the financing documents, at the option of the Issuer and upon notice given by OLV Renaissance, the Series 2007A and 2007B Revenue Bonds are subject to optional redemption at 100%. In connection with the Bond financing, OLV Renaissance has executed an irrevocable direct pay letter of credit with a financial institution for a maximum amount of $11,996. There is no outstanding amount as of December 31, 2021 or 2020. The letter of credit was extended in April 2020, with an expiration date of February 28, 2030. The updated MTI follows the Restated and Amended Master Trust Indenture, dated as of April 25, 2019 by and amount the members of the Obligated Group. Financial covenants and the Continuing Disclosure Agreement follow as well.

(in thousands of dollars)

NOTE 9. LONG-TERM OBLIGATIONS (CONTINUED)

f. During 2006, OLV Renaissance borrowed $300 from Erie County to develop 74 rental apartments. The note is a payable with interest at the applicable federal rate in effect at the time of the disbursement (5.86%) on the thirtieth annual anniversary of the final disbursement of the note. At the maturity date, OLV Renaissance may elect to extend the term of this loan for an additional twenty-year term. Upon notice of such election to Erie County, and at expiration of such twenty-year term, the unpaid balance of the note plus any accrued interest thereon shall be forgiven, provided that OLV Renaissance remit any repayment from the related party from their note receivable.

g. Term note payable in minimum annual installments of $13, which includes an interest-free rate, through January 2022.

h. On January 19, 2019, SFG entered into a promissory note with Five Star Bank in the amount of $9,750. The loan calls for monthly payments of $59, which includes principal and interest. Payments began on February 19, 2019 with the final payment due on January 19, 2028.

i. Term note payable in minimum monthly installments of approximately $11, which includes accrued interest at a rate of 5.35%, through May 2025.

j. Mortgage payable in minimum monthly installments of approximately $7, which includes a fixed interest rate of 4.46%, through February 2021.

Aggregate maturities of long-term obligations, including Finance lease obligations, considering obligations subject to short-term remarketing as due according to their long-term amortization schedule, subsequent to December 31, 2021 are as follows:

	Long-Term Debt	Finance Leases	Total
2022	$ 8,757	$ 2,797	$ 11,554
2023	6,632	2,326	8,958
2024	6,489	1,593	8,082
2025	6,222	1,503	7,725
2026	5,961	1,387	7,348
Thereafter	275,129	1,239	276,368
	309,190	10,845	320,035
Less: Debt issuance costs	(4,794)	-	(4,794)
Less: Current maturities	(8,757)	(2,797)	(11,554)
Long-term obligations, net	$ 295,639	$ 8,048	$ 303,687

The System had a revolving line of credit of $20,000 as of December 31, 2021 and 2020. There was no amount outstanding on the revolving line of credit as of December 31, 2021 or 2020. The line of credit bears interest at Libor + Spread (2.00% as of December 31, 2021).

(in thousands of dollars)

NOTE 10. DERIVATIVE FINANCIAL INSTRUMENTS

In connection with the Series 2006 and 2008 Bonds and execution of the Loan Agreement, MHB, SCH and KMH entered into interest rate swap agreements (derivative agreements) with HSBC Bank and JP Morgan Chase (the Financial Institutions) for purposes of mitigating risk posed by the Bonds accruing interest at a variable rate. Further, the Hospitals agreed not to take or omit to take any action that could reasonably be expected to result in the termination of the derivative agreement unless otherwise approved by the Financial Institutions, provided, however, that termination of the derivative agreement shall not constitute an event of default for purposes of the Loan Agreement, but upon any such termination of the derivative agreement, the Financial Institutions may require that the Hospitals direct the Series 2006 or Series 2008 Bonds be converted to bonds that bear a fixed rate of interest. The interest rate swap agreements outstanding on the Series 2006 Bonds were settled in 2014. Termination costs in the amount of $5,772 will be amortized over the remaining life of the bonds.

During 2007, OLV Renaissance entered into a hedging agreement with respect to interest rate exposure on the Series 2007A Revenue Bond. OLV Renaissance uses the interest rate swap agreement to reduce its exposure to interest rate changes. The interest rate swap fixes the interest rate paid by OLV Renaissance at 4.143% over the life of the bond, which matures in April 2032. The instrument qualifies for hedge treatment and is designated a cash flow hedge of future interest payments. The change in fair value for the effective portion of the hedge has been excluded from deficiency of revenues over expenses and is recorded within changes in net assets.

The fair value of derivative instruments as of December 31 is as follows:

	2021		2020	
Interest rate contracts floating to fixed	Other long-term obligations	$ 1,039	Other long-term obligations	$ 1,486

The effects of derivative instruments on the consolidated statements of operations and changes in net assets at December 31 is as follows:

	Ineffective portion in Statement of Operations		Effective portion in Net Assets	
	2021	2020	2021	2020
Change in fair value of interest rate swaps	$ 13	$ (6)	$ 434	$ (176)

The Hospitals measure their interest rate swaps at fair value on a recurring basis. The fair value of the interest rate swaps is determined based on financial models that consider current and future market interest rates and adjustments for nonperformance risk. The inputs utilized in the valuation process of the interest rate swaps are considered to be Level II within the fair value hierarchy defined in Note 14.

NOTE 11. EMPLOYEE BENEFIT PLANS

Pension Arrangements: Effective January 1, 2001, the System began maintaining a qualified defined benefit pension plan covering substantially all of its employees at its constituent hospitals. As of that date, active participants in the KMH, MHB, and SCH plans who were employed at the Hospitals are covered under the Retirement Plan of the Catholic Health System (the Plan). Effective January 1, 2002, all other entities in the System, with the exception of the Nazareth Home, began participating in the Plan. Pension assets and liabilities from legacy plans, if any, were transferred to the Plan on September 25, 2002.

(in thousands of dollars)

NOTE 11. EMPLOYEE BENEFIT PLANS (CONTINUED)

Effective January 1, 2001 or 2002, as applicable, all non-union employees who had met the age and service requirements under their previous Plan were given the option of choosing to participate in the cash balance feature of the plan. Those who choose not to participate in the cash balance feature accrue benefits under the same formula as their previous plan. All non-union employees who become participants after that date automatically participate under the cash balance formula.

The Plan bases benefits upon both years of service and earnings. Participants under the Hospitals' formula earn benefits under a final average formula or a career average formula. The cash balance formula is a hypothetical account balance formula. A participant's benefit obligation is assigned to the location at which the person works. As participants transfer within the System to other subsidiaries, the obligations and a proportional amount of the Plan's assets transfer, accordingly.

Funded Status: The following tables summarize changes in the projected benefit obligation, the Plan assets and the funded status, as well as the components of net periodic benefit costs, including key assumptions as of December 31:

	2021	2020
Projected Benefit Obligations		
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 942,756	$ 812,915
Service cost	29,052	26,195
Interest cost	23,612	27,513
Expenses	(32,924)	(31,756)
Benefits paid	(1,745)	(1,328)
Actuarial (gain) loss	(52,213)	109,217
Projected benefit obligation at end of year	$ 908,538	$ 942,756
Accumulated benefit obligations at end of year	$ 837,388	$ 859,627
Plan Assets		
Change in plan assets:		
Fair value of assets at beginning of year	$ 510,253	$ 452,414
Actual return on plan assets	56,026	57,919
System contributions	28,900	33,045
Expenses	(1,741)	(1,369)
Benefits paid	(32,924)	(31,756)
Fair value of plan assets at end of year	$ 560,514	$ 510,253
Funded status at end of year	$ (348,024)	$ (432,503)
Amounts recognized in the consolidated balance sheets:		
Other long-term obligations	$ (348,024)	$ (432,503)
Net amounts recognized	$ (348,024)	$ (432,503)

(in thousands of dollars)

NOTE 11. EMPLOYEE BENEFIT PLANS (CONTINUED)

	2021	2020
Amounts recognized in net assets without donor restrictions consist of:		
Actuarial net loss	$ (192,665)	$ (289,953)
Prior service cost	(5)	(7)
Total amount recognized	$ (192,670)	$ (289,960)
Other changes recognized in net assets without donor restrictions:		
Net (gain) loss arising during the period	$ (74,386)	$ 83,071
Amortization of prior service cost	(2)	(2)
Amortization of gain	(22,874)	(15,749)
Total amount recognized	$ (97,262)	$ 67,320
Components of net periodic benefit cost:		
Service cost	$ 29,052	$ 26,195
Interest cost	23,612	27,513
Expected return on plan assets	(33,853)	(31,825)
Amortization of prior service cost	2	2
Amortization of net loss	22,874	15,721
Recognized actuarial loss	28	24
Net periodic pension cost	$ 41,715	$ 37,630

The System's estimated prior service cost of $2 and net loss of $14,357 will be amortized from net assets without donor restrictions into net periodic pension cost over the next fiscal year.

The Plan's investment policies and strategies were used to develop the expected long-term rate of return on risk-free investment (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return of each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption.

The Plan's target asset allocation and the actual asset allocation percentages for the years ended December 31, 2021 and 2020 are as follows at the respective measurement dates:

		Actual	
Asset Category	**Target**	**2021**	**2020**
Equities	58%	63%	60%
Fixed income	25	21	24
Other	17	16	16
	100%	100%	100%

NOTE 11. EMPLOYEE BENEFIT PLANS (CONTINUED)

The portfolio is diversified among a mix of assets including large and small cap, domestic and foreign equities, fixed income, alternatives (a fund of hedge funds), and cash. Asset mix is targeted to a specific allocation that is established by evaluating expected return, standard deviation, and correlation of various assets against the Plan's long-term objectives. Asset performance is monitored quarterly and rebalanced if asset classes exceed explicit ranges. The Statement of Policy and Investment Objectives governs permitted types of investments and outlines specific benchmarks and performance percentiles. The Catholic Health Benefit Plan Committee oversees the pension investment program and monitors investment performance. Risk is closely monitored through the evaluation of portfolio holdings and tracking the beta and standard deviation of the portfolio performance. The use of derivative financial instruments as an investment vehicle is specifically limited.

Accounting Standards Codification Topic 820 allows for the use of a practical expedient for the estimation of fair value of investments in investment companies for which the investment does not have a readily determinable fair value. For investments in non-unitized investments, the equivalent is the Plan’s proportionate share of the partner’s capital of the investment partnerships as reported by the general partners. Through its monitoring activities, the Plan believes that the carrying amounts of these financial instruments are reasonable estimates of fair value.

The asset’s or liability’s 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. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2021 and 2020.

Cash and Cash Equivalents: Include certain instruments in highly liquid debt instruments with original maturities of three months or less at date of purchase.

Equity Securities: Equity securities are valued at the closing price reported on the applicable exchange on which the securities are traded or are estimated using quoted market prices for similar securities.

Debt Securities: Debt securities are valued using quoted market prices and/or other market data for the same or comparable instruments and transactions in establishing the prices, discounted cash flow models 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.

Mutual Funds: Mutual funds are valued using the net asset value based on the value of the underlying assets owned by the fund, minus liabilities, divided by the number of shares outstanding, and multiplied by the number of shares owned.

Commingled Funds: Commingled funds are developed for investment by institutional investors only and therefore do not require registration with the Securities and Exchange Commission. Commingled funds are recorded at fair value based on net asset value, which is calculated using the most recent fund financial statements.

Hedge Funds: Hedge funds utilize either a direct or a “fund-of-funds” approach resulting in diversified multi-strategy, multi-manager investments. Underlying investments in these funds may include equities, fixed income securities, commodities, currencies and derivatives. These funds are valued at net asset value, which is calculated using the most recent fund financial statements.

The preceding methods described may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

(in thousands of dollars)

NOTE 11. EMPLOYEE BENEFIT PLANS (CONTINUED)

The following table presents the Plan's financial instruments as of December 31, 2021 and 2020, measured at fair value on a recurring basis using the fair value hierarchy defined in Note 14.

At December 31, 2021	Level I	Level II	Level III	Total
Pension plans:				
Cash and cash equivalents	$ 13,590	$ -	$ -	$ 13,590
Equity securities	93,871	-	-	93,871
Debt securities:				
Government and government agency obligations	-	19,601	-	19,601
Corporate bonds	-	60,697	-	60,697
Asset backed securities	-	14,788	-	14,788
Mutual funds:				
Equity mutual funds	44,629	-	-	44,629
Fixed mutual funds	20,990	-	-	20,990
Subtotal	$ 173,080	$ 95,086	$ -	$ 268,166
Investment measured at net asset value:				
Commingled funds:				
Equity commingled funds				226,560
Fixed income commingled funds				22,291
Hedge funds				43,497
Total				$ 560,514

At December 31, 2020	Level I	Level II	Level III	Total
Pension plans:				
Cash and cash equivalents	$ 21,595	$ -	$ -	$ 21,595
Equity securities	98,334	-	-	98,334
Debt securities:				
Government and government agency obligations	-	17,175	-	17,175
Corporate bonds	-	68,469	-	68,469
Asset backed securities	-	11,743	-	11,743
Mutual funds:				
Equity mutual funds	26,657	-	-	26,657
Fixed mutual funds	20,089	-	-	20,089
Subtotal	$ 166,675	$ 97,387	$ -	264,062
Investment measured at net asset value:				
Commingled funds:				
Equity commingled funds				183,582
Fixed income commingled funds				23,351
Hedge funds				39,258
Total				$ 510,253

(in thousands of dollars)

NOTE 11. EMPLOYEE BENEFIT PLANS (CONTINUED)

Contributions: Contributions to the Plan are made to make benefit payments to plan participants. The funding policy is to contribute amounts to the trusts sufficient to meet minimum funding requirements plus such additional amounts as may be determined to be appropriate. Contributions are made to benefit plans for the sole benefit of plan participants.

The System is expected to contribute an aggregate amount of approximately $34,000 to the pension plan trust during the year ending December 31, 2021 to be allocated amongst participating entities.

Benefit Payments: Estimated future benefit payments by the System are as follows as of December 31:

2022	$ 36,447
2023	$ 38,680
2024	$ 40,658
2025	$ 42,934
2026	$ 44,470
2027 - 2031	$ 246,580

	2021	2020
Weighted average assumptions used to determine end of the year benefit obligations:		
Discount rate	2.90%	2.55%
Rate of compensation increase	Age Based	Age Based
Weighted average assumptions used to determine net periodic pension cost:		
Discount rate	2.55%	3.45%
Expected long-term rate of return on plan assets	7.12%	7.25%
Rate of compensation increase	Age Based	Age Based
Measurement date	12/31/2021	12/31/2020

NOTE 12. INSURANCE ARRANGEMENTS

Professional and General Liability Arrangements

The System participated in the Trinity Health sponsored insurance program, which provided coverage for healthcare professional (medical malpractice) and general liability exposures through November 5, 2021. The primary limits were $20,000 per occurrence for healthcare professional liability and general liability from January 1, 2020 through November 5, 2021. Effective November 6, 2021, coverage for healthcare professional and general liabilities are provided through the System's medical professional self-insurance program combined with excess commercial liability coverage. The primary limits are $10,000 per occurrence for the year ending December 31, 2021.

NOTE 12. INSURANCE ARRANGEMENTS (CONTINUED)

The coverage provided is on a claims-made basis. The System therefore retains the liability for unasserted claims resulting from incidents that occurred on services provided prior to the consolidated financial statement date. The System has independent actuaries estimate the ultimate costs of such unasserted claims, which were discounted at 2.5% for the years ended December 31, 2021 and 2020. The System's reserve for unpaid and incurred but not reported claims at December 31, 2021 and 2020 is $105,372 and $99,432, respectively, and is included within other long-term obligations. The charges to expenses for professional and general liability for the years ended December 31, 2021 and 2020 were $14,391 and $14,256, respectively, which has been included in insurance expense. The required claims liability and any anticipated insurance recoveries are to be reported on a gross basis. Amounts recognized as insurance receivables related to the claims were $86,485 and $84,495 at December 31, 2021 and 2020, respectively, and is included in other non-current assets. Insurance recoveries are measured on the same basis as the liability subject to the need for a valuation allowance on uncollectible amounts.

Workers' Compensation Arrangements
The System's insurance program for workers' compensation has a deductible of $750 per occurrence during the years ending December 31, 2021 and 2020. Claims in excess of the deductible are fully insured. Losses from asserted claims and from unasserted claims identified under the System's incident reporting programs were accrued on a discounted basis based upon actuarial estimates of the settlement of such claims. The discount rate applied is 2.5% during the years ending December 31, 2021 and 2020. The System's current portion of liabilities for unpaid and incurred but not reported claims at December 31, 2021 and 2020 is $9,823 and $9,349, respectively, and is included in accrued expenses. The System's long-term portion of liabilities for unpaid and incurred but not reported claims at December 31, 2021 and 2020 is $65,671 and $68,273, respectively, and is included in other long-term obligations.

The charges to expenses for workers' compensation costs approximated $8,220 and $8,696 for the years ended December 31, 2021 and 2020, respectively, which has been included in employee benefits expense. The required claims liability and any anticipated insurance recoveries are to be reported on a gross basis. The System's current portion of insurance receivables related to the claims at December 31, 2021 and 2020 is $375 and $434, respectively, and is included in prepaid expenses and other current assets. The System's long-term portion of insurance receivables related to the claims at December 31, 2021 and 2020 is $20,302 and $22,290, respectively, and is included in other non-current assets. Insurance recoveries are measured on the same basis as the liability subject to the need for a valuation allowance for uncollectible amounts.

Employee Health Arrangements
The System's insurance for employee health costs is self-insured up to $500 per claim during the years ending December 31, 2021 and 2020, respectively. Claims in excess of self-insurance levels are fully insured. Claims are accrued based upon the System's estimates of the aggregate liability for claims incurred using certain actuarial assumptions used in the insurance industry and based on the System's experience. The System's liability for unpaid health insurance claims, which has been included in accrued expenses at December 31, 2021 and 2020, was $8,186 and $8,739, respectively.

NOTE 13. LEGAL MATTERS

The System is involved in litigation and regulatory investigations arising in the course of business. The health care industry is subject to numerous laws and regulations of federal, state and local governments. Compliance with these laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at the time. Recently, government activity has increased with respect to investigations and allegations concerning possible violations by health care providers of fraud and abuse statutes and regulations, which could result in the imposition of significant fines and penalties as well as significant repayments for patient services previously billed under Medicare and Medicaid programs in the current and preceding years. While certain regulatory inquiries have been made at December 31, 2021, compliance with such laws and regulations is currently subject to government review and interpretation as well as regulatory actions unknown and/or unasserted at this time. Management believes it is in compliance with such laws and regulations and no unknown or unasserted claims were known at this time, which could have a material adverse effect on the System's future financial position, results from operations or cash flows.

NOTE 14. FAIR VALUE MEASUREMENTS

The System's consolidated financial statements reflect certain assets and liabilities recorded at fair value. Assets and liabilities measured at fair value on a recurring basis on the System's consolidated balance sheets include cash and cash equivalents, equity securities, debt securities, exchange traded funds, mutual funds, and interest rate swaps. Liabilities measured at fair value on a recurring basis for disclosure only include debt.

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 assumptions that market participants would use, including a consideration of non-performance risk.

To determine fair value, the System uses various valuation methodologies based on market inputs. For many instruments, pricing inputs are readily observable in the market; the valuation methodology is widely accepted by market participants and involves little to no judgment. For other instruments, pricing inputs are less observable in the marketplace. These inputs can be subjective in nature and involve uncertainties and matters of considerable judgment. The use of different assumptions, judgments and/or estimation methodologies may have a material effect on the estimated fair value amounts.

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level I) and the lowest priority to unobservable inputs (level III). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level I: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the System has the ability to access.

Level II: Inputs to the valuation methodology include:

- 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 (contractual) term, the level II input must be observable for substantially the full term of the asset or liability.

NOTE 14. FAIR VALUE MEASUREMENTS (CONTINUED)

Level III: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's 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. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

In instances where quoted market prices are not readily available, fair value is estimated using quoted market prices and/or other market data for the same or comparable instruments and transactions in establishing the prices, discounted cash flow models 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. The inputs to these models depend on the type of security being priced but are typically benchmark yields, credit spreads, prepayment speeds, reported trades and broker-dealer quotes, all with reasonable levels of transparency. Generally, significant changes in any of those inputs in insolation would result in a significantly different fair value measurement, respectively. The System classifies these securities as Level II within the fair value hierarchy.

In instances in which the inputs used to measure fair value fall into different levels of the fair value 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 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.

The following tables summarize investments measured at fair value based on net asset value (NAV) per share as of December 31, 2021 and 2020.

Cash and Cash Equivalents: The carrying amounts reported in the consolidated balance sheets approximate their fair value. Certain cash and cash equivalents are included in investments and assets limited or restricted as to use in the consolidated balance sheets. The System considers all highly liquid investments, generally with original maturities of three months or less when purchased, and short-term investments excluding amounts limited as to use, to be cash equivalents.

Equity Securities: Equity securities are valued at the closing price reported on the applicable exchange on which the security is traded or are estimated using quoted market prices for similar securities.

Debt Securities and Government and Government Agency Obligations: Debt securities and government and government agency obligations are valued using quoted market prices and/or other market data for the same or comparable instruments and transactions in establishing the prices, discounted cash flow models 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.

Exchange Traded Funds: Exchange traded funds are valued at the closing price reported on the applicable exchange on which the security traded is tracked.

Mutual Funds: Mutual funds are valued using the NAV based on the value of the underlying assets owned by the fund, minus liabilities, divided by the number of shares outstanding, and multiplied by the number of shares owned.

Other: Other investments consist of life insurance policies which are valued using quoted market prices and/or other market data for the same or comparable instruments and transactions in establishing the prices, discounted cash flow models 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.

(in thousands of dollars)

NOTE 14. FAIR VALUE MEASUREMENTS (CONTINUED)

Investment in Ascension Alpha Fund, LLC: This fund is a wholly owned subsidiary of Ascension Health and includes pooled short-term investment funds, equity securities, and fixed income securities. The fund's investments also include alternative investments and other investments, which are valued at the net asset value of the investments.

Interest Rate Swap Liability: The fair value of the interest rate swap is determined based on financial models that consider current and future market interest rates and adjustments for nonperformance risk. The fair value of these interest rate derivatives is based on quoted prices for similar instruments from a commercial bank, and therefore, the interest rate derivative is considered a Level II item in the fair value hierarchy.

The following tables set forth by level, within the fair value hierarchy, the System's assets at fair value as of December 31, 2021 and 2020:

At December 31, 2021	Level I	Level II	Level III	Total
Assets limited as to use:				
Cash and cash equivalents	$ 46,425	$ -	$ -	$ 46,425
Government and government agency obligations	2,696	2,183	-	4,879
Other	-	7	-	7
Total	$ 49,121	$ 2,190	$ -	$ 51,311
Investments:				
Cash and cash equivalents	$ 936	$ -	$ -	$ 936
Equity securities	15,735	-	-	15,735
Debt securities	1,379	1,929	-	3,308
Exchange traded funds	4,376	-	-	4,376
Mutual funds	1,778	-	-	1,778
Other	-	403	-	403
Subtotal	$ 24,204	$ 2,332	$ -	$ 26,536
Investment measured at net asset value:				
Investment in Ascension Alpha Fund, LLC				16,385
Total				$ 42,921
Interest rate swap liability	$ -	$ 1,039	$ -	$ 1,039

(in thousands of dollars)

NOTE 14. FAIR VALUE MEASUREMENTS (CONTINUED)

At December 31, 2020	Level I	Level II	Level III	Total
Assets limited as to use:				
Cash and cash equivalents	$ 82,016	$ -	$ -	$ 82,016
Government and government agency obligations	2,880	2,231	-	5,111
Other	-	11	-	11
Total	$ 84,896	$ 2,242	$ -	$ 87,138
Investments:				
Cash and cash equivalents	$ 981	$ -	$ -	$ 981
Equity securities	14,644	-	-	14,644
Debt securities	734	946	-	1,680
Exchange traded funds	4,767	-	-	4,767
Mutual funds	2,093	-	-	2,093
Other	-	506	-	506
Subtotal	$ 23,219	$ 1,452	$ -	$ 24,671
Investment measured at net asset value:				
Investment in Ascension Alpha Fund, LLC				201,414
Total				$ 226,085
Interest rate swap liability	$ -	$ 1,486	$ -	$ 1,486

NOTE 15. RELATED PARTY TRANSACTIONS

CIPA WNY IPA d/b/a “Catholic Medical Partners” was incorporated in 1996 to establish managed care contracts that support clinical integration and provider accountability for cost and quality. The hospitals, long-term care, and home care subsidiaries are members of Catholic Medical Partners. The System has five of its executive staff on the Catholic Medical Partners’ Board of Directors.

East Aurora Medical Building, L.P. (EAMB) is a joint venture between Olean RE Property, LLC., Buffalo Family Group, Inc., Aurora Mercy Corporation (a wholly owned Corporation of Mercy Hospital of Buffalo), and seven other joint venture limited partners. On April 10, 2018, EAMB refinanced its outstanding debt of $2,200 at which time Mercy Hospital of Buffalo became sole guarantor of principal and interest on the debt. As of December 31, 2021, the outstanding balance of debt was $2,185 ($2,073 – 2020).

Caritas Medical Arts Building L.L.C. is a joint venture between Sisters of Charity Hospital and Ciminelli Development Company. The debt related to this joint venture was refinanced during 2020 and the updated guaranty has full recourse to each partner (previously each partner guaranteed 1/3 of the debt). As of December 31, 2021, there was $1,197 ($1,345 – 2020) of debt outstanding related to the Caritas Medical Arts Building L.L.C., The guaranteed debt amount was $1,197 and $1,345 as of December 31, 2021 and 2020, respectively.

Marian Professional Center Associates, L.P. is a joint venture between Ciminelli Development Company, Mercy Hospital of Buffalo, Alsace Abbott Corporation (a wholly owned Corporation of Mercy Hospital of Buffalo), and three other joint venture partners. As of December 31, 2021, there was $4,016 ($4,196 – 2020) of debt outstanding related to the Marian Professional Center Associates, L.P., of which the System has guaranteed $2,008 ($2,098 – 2020). Per the guaranty agreement, the System’s obligation shall decrease on a dollar-for-dollar basis as the principal amount of the obligation is paid down.

(in thousands of dollars)

NOTE 15. RELATED PARTY TRANSACTIONS (CONTINUED)

NR Physician Group, P.L.L.C. is a joint venture between Niagara Medicine, P.C., Roswell Park Comprehensive Cancer Center and Buffalo Medical Group. NR Physician Group, P.L.L.C. provides radiation oncology services.

Niagara Falls Memorial Medical Center Cath Lab is a joint venture between Catholic Health System, Inc., Kaleida Health, Erie County Medical Center Corporation and Niagara Falls Memorial Medical Center. The joint operating agreement's purpose is to establish the joint operating responsibilities for the Cath lab on the campus of Niagara Falls Memorial Medical Center and provide Cath lab services for the residents or Niagara County.

NOTE 16. FUNCTIONAL EXPENSES

Consistent with US GAAP the System provides an analysis of expenses by both natural and functional classification. Natural expenses are defined by their nature such as salaries, rent, supplies, etc. Functional expenses are classified by the type of activity for which expenses were incurred, for example, management and general and direct program costs. Expenses were allocated by function using a reasonable and consistent approach that was primarily based on the personnel costs directly attributable by function.

	December 31, 2021		
	Healthcare Services	Management and General	Total
Salaries and wages	$ 593,777	$ 65,283	$ 659,060
Employee benefits	135,288	16,402	151,690
Medical and professional fees	42,102	9,721	51,823
Purchased services	120,221	22,263	142,484
Supplies	227,349	572	227,921
Depreciation and amortization	54,750	3,807	58,557
Interest	7,880	3,445	11,325
Insurance	16,319	125	16,444
Other expenses	34,229	13,525	47,754
Total	$ 1,231,915	$ 135,143	$ 1,367,058

	December 31, 2020		
	Healthcare Services	Management and General	Total
Salaries and wages	$ 517,221	$ 52,337	$ 569,558
Employee benefits	136,244	13,960	150,204
Medical and professional fees	44,884	9,114	53,998
Purchased services	119,491	28,524	148,015
Supplies	208,688	647	209,335
Depreciation and amortization	43,392	5,460	48,852
Interest	9,496	3,440	12,936
Insurance	15,902	178	16,080
Other expenses	29,060	9,906	38,966
Total	$ 1,124,378	$ 123,566	$ 1,247,944

NOTE 17. SUBSEQUENT EVENTS

On February 17, 2022, FEMA obligated (approved to pay) $7,572 to the System to reimburse costs related to COVID-19 expenditures. The System records FEMA grants as contributions when any related conditions have substantially been met and the funds are obligated. Therefore, the System expects to receive these funds during the year ending December 31, 2022.

On March 22, 2022, the System issued the Niagara Area Development Corporation Tax-Exempt Revenue Bonds (Catholic Health System Inc. Project) Series 2022, maturing in 2052 in the aggregate amount of $58,545. The Bonds proceeds will be used to finance the construction of Lockport Memorial Hospital, a campus of MSM, as well as other certain infrastructure improvements and strategic investments.

The System evaluated its December 31, 2021 consolidated financial statements for subsequent events through April 22, 2022, the date the consolidated financial statements were available to be issued.

FreedMaxick CPAs, P.C.

INDEPENDENT AUDITOR'S REPORT ON ACCOMPANYING SUPPLEMENTARY INFORMATION

To the Board of Directors
Catholic Health System, Inc.
Buffalo, New York

We have audited the consolidated financial statements of Catholic Health System, Inc. and its Subsidiaries (together the System) as of December 31, 2021 and 2020 and for the years then ended and our report thereon appears on pages 1 - 2 of this document. These audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The Schedule of Net Cost of Providing Care of Persons Living in Poverty and Community Benefit Programs (Schedule of Social Accountability - Unaudited) is the responsibility of management and is provided for purposes of additional analysis of the consolidated financial statements. Such information is unaudited and therefore, we do not express an opinion on the Schedule of Net Cost of Providing Care of Persons Living in Poverty and Community Benefit Programs (Schedule of Social Accountability - Unaudited).

The consolidating information for Catholic Health System, Inc. and its Subsidiaries, presented on pages 44 through 57, and the consolidating information for Kenmore Mercy Hospital and subsidiaries, presented on pages 58 through 60, is presented for purposes of additional analysis rather than to present the financial position, results of operations and cash flows of the individual companies and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2021 information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Freed Maxick CPAs, P.C.

Buffalo, New York
April 22, 2022

CATHOLIC HEALTH SYSTEM, INC. AND SUBSIDIARIES

SCHEDULE OF NET COST OF PROVIDING CARE OF PERSONS LIVING IN POVERTY AND COMMUNITY BENEFIT PROGRAMS (SCHEDULE OF SOCIAL ACCOUNTABILITY - UNAUDITED)
Years Ended December 31, 2021 and 2020
(in thousands of dollars)

The total net costs related to the care of the poor and benefits for the broader community as of December 31, 2021 and 2021 are set forth in the following table:

	2021	2020
Charity care	$ 8,664	$ 9,183
Cost of community benefit programs	98,872	66,787
Unpaid cost of Medicaid programs	102,961	90,006
	$ 210,497	$ 165,976

CATHOLIC HEALTH SYSTEM, INC. AND SUBSIDIARIES

CONSOLIDATING BALANCE SHEET
(in thousands of dollars)
December 31, 2021

ASSETS	**Parent**	**Acute Care Subsidiaries**	**Home and Community Based Subsidiaries**	**Other Subsidiaries**	**Discontinued Operations**	**Eliminations**	**Total**
Current assets:							
Cash and cash equivalents	$ 91,316	$ 135,982	$ 33,115	$ 26,362	$ 5,070	$ (274)	$ 291,571
Restricted cash	-	5,069	-	-	-	-	5,069
Patient/resident accounts receivable	(923)	137,644	10,254	7,922	-	-	154,897
Other receivables	2,309	5,995	166	271	-	-	8,741
Inventories	-	22,786	1,572	-	-	-	24,358
Prepaid expenses and other current assets	13,440	1,521	61	328	-	-	15,350
Due from affiliates	200,571	107,420	40,439	666	1,572	(350,668)	-
Total current assets	306,713	416,417	85,607	35,549	6,642	(350,942)	499,986
Interest in net assets of related Foundations	-	-	136	5	129	(270)	-
Assets limited as to use	23,611	22,016	3,051	1,519	1,114	-	51,311
Investments	-	40,831	2,090	-	-	-	42,921
Property and equipment, net	163,787	261,407	15,172	18,184	-	-	458,550
Operating lease right-of-use assets, net	29,324	24,856	1,183	12,830	-	(33,649)	34,544
Other assets	28,650	101,618	6,597	1,164	2,561	(27,035)	113,555
Due from affiliates	5,116	11,759	-	-	368	(17,243)	-
Total assets	$ 557,201	$ 878,904	$ 113,836	$ 69,251	$ 10,814	$ (429,139)	$ 1,200,867
LIABILITIES AND NET ASSETS (DEFICIT)							
Current liabilities:							
Current portion of long-term obligations	$ 5,923	$ 4,690	$ 380	$ 561	$ -	$ -	$ 11,554
Current portion of operating lease liabilities	3,595	4,705	197	1,811	-	(3,900)	6,408
Grant obligation	-	5,069	-	-	-	-	5,069
Accounts payable	17,627	53,773	838	3,234	-	-	75,472
Accrued expenses	28,009	60,526	6,774	5,119	330	-	100,758
Due to third-party payors	-	42,268	1,611	4,316	434	-	48,629
Medicare advances	-	39,771	1,065	-	-	-	40,836
Deferred revenue and refundable advances	782	7,016	741	-	-	-	8,539
Due to affiliates	134,702	105,156	24,023	81,979	10,197	(356,057)	-
Total current liabilities	190,638	322,974	35,629	97,020	10,961	(359,957)	297,265
Long-term obligations, net	125,968	162,551	7,979	7,189	-	-	303,687
Long-term operating lease liabilities, net	26,067	20,143	1,007	11,263	-	(29,749)	28,731
Other long-term obligations	74,341	440,943	20,411	2,309	3,564	-	541,568
Due to affiliates	12,128	-	-	-	-	(12,128)	-
Total liabilities	429,142	946,611	65,026	117,781	14,525	(401,834)	1,171,251
Net assets (deficit):							
Without donor restrictions	124,600	(79,196)	48,674	(49,239)	(3,711)	(23,566)	17,562
With donor restrictions	3,459	11,489	136	709	-	(3,739)	12,054
Total net assets (deficit)	128,059	(67,707)	48,810	(48,530)	(3,711)	(27,305)	29,616
Total liabilities and net assets (deficit)	$ 557,201	$ 878,904	$ 113,836	$ 69,251	$ 10,814	$ (429,139)	$ 1,200,867

CATHOLIC HEALTH SYSTEM, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (DEFICIT)
(in thousands of dollars)
For the Year Ended December 31, 2021

	Parent	Acute Care Subsidiaries	Home and Community Based Subsidiaries	Other Subsidiaries	Discontinued Operations	Eliminations	Total
Revenues and other support without donor restrictions:							
Net patient service revenue	$ 3,338	$ 993,598	$ 76,934	$ 70,125	$ -	$ (10,397)	$ 1,133,598
Other revenue	194,139	37,136	7,338	12,666	-	(207,240)	44,039
CARES Act Provider Relief Funding	25	18,795	244	62	-	-	19,126
Net assets released from restrictions	-	277	-	-	-	-	277
Total revenues and other support without donor restrictions	197,502	1,049,806	84,516	82,853	-	(217,637)	1,197,040
Expenses:							
Salaries and wages	86,678	549,592	50,911	51,405	-	(79,526)	659,060
Employee benefits	24,391	131,506	11,901	6,716	-	(22,824)	151,690
Medical and professional fees	8,153	51,385	1,668	2,702	-	(12,085)	51,823
Purchased services	42,452	131,887	4,474	22,165	-	(58,494)	142,484
Supplies	1,652	213,458	10,448	4,185	-	(1,822)	227,921
Depreciation and amortization	21,689	54,552	1,662	2,236	-	(21,582)	58,557
Interest	4,477	10,280	636	1,543	-	(5,611)	11,325
Insurance	512	14,676	620	1,097	-	(461)	16,444
Other expenses	12,062	42,294	4,197	4,324	-	(15,123)	47,754
Total expenses	202,066	1,199,630	86,517	96,373	-	(217,528)	1,367,058
Loss from operations	(4,564)	(149,824)	(2,001)	(13,520)	-	(109)	(170,018)
Nonoperating revenues and expenses:							
Investment income	1,202	21,586	2,572	-	-	(2,360)	23,000
Other components of net periodic pension cost	(2,839)	(12,093)	(531)	(37)	-	2,839	(12,661)
Other revenues and gains, net	217	982	5	60	-	(370)	894
Total nonoperating revenues and expenses	(1,420)	10,475	2,046	23	-	109	11,233
(Deficiency) excess of revenues over expenses	$ (5,984)	$ (139,349)	$ 45	$ (13,497)	$ -	$ -	$ (158,785)

CATHOLIC HEALTH SYSTEM, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (DEFICIT) (CONTINUED)
(in thousands of dollars)
For the Year Ended December 31, 2021

	Parent	Acute Care Subsidiaries	Home and Community Based Subsidiaries	Other Subsidiaries	Discontinued Operations	Eliminations	Total
Net assets without donor restrictions:							
(Deficiency) excess of revenues over expenses	$ (5,984)	$ (139,349)	$ 45	$ (13,497)	$ -	$ -	$ (158,785)
Change in unrealized gain on interest rate swaps	-	-	-	434	-	-	434
Change in pension obligation, other than net periodic cost	15,121	78,524	3,331	201	-	-	97,177
Net assets released from restrictions used for capital	-	1,644	-	-	-	-	1,644
Grant revenue for capital expenditures	6,087	1,941	96	-	-	-	8,124
Other	(15)	1	(22)	(23)	-	-	(59)
(Decrease) increase in net assets without donor restrictions before effects of discontinued operations	15,209	(57,239)	3,450	(12,885)	-	-	(51,465)
Gain from discontinued operations	-	-	-	-	18	-	18
Increase (decrease) in net assets without donor restrictions	15,209	(57,239)	3,450	(12,885)	18	-	(51,447)
Net assets with donor restrictions:							
Contributions	-	5,537	-	114	-	-	5,651
Investment income	-	35	-	-	-	-	35
Special events revenue, net	-	272	-	-	-	-	272
Change in interest in related Foundation	-	-	6	-	-	(6)	-
Net assets released from restrictions	-	(1,921)	-	-	-	-	(1,921)
Other	-	1	-	(2)	-	-	(1)
Increase (decrease) in net assets with donor restrictions	-	3,924	6	112	-	(6)	4,036
Increase (decrease) in net assets	15,209	(53,315)	3,456	(12,773)	18	(6)	(47,411)
Net assets (deficit), beginning of year	112,850	(14,392)	45,354	(35,757)	(3,729)	(27,299)	77,027
Net assets (deficit), end of year	$ 128,059	$ (67,707)	$ 48,810	$ (48,530)	$ (3,711)	$ (27,305)	$ 29,616

CATHOLIC HEALTH SYSTEM, INC. AND SUBSIDIARIES

CONSOLIDATING BALANCE SHEET
(in thousands of dollars)
December 31, 2021

ASSETS	Catholic Health Parent	Catholic Health Emmaus	Sterling Surgical Center	Health Care Solutions	Eliminations	Total
Current assets:						
Cash and cash equivalents	$ 89,639	$ 583	$ 437	$ 657	$ -	$ 91,316
Patient/resident accounts receivable	(1,061)	-	138	-	-	(923)
Other receivables	1,243	-	-	1,066	-	2,309
Prepaid expenses and other current assets	13,388	8	-	44	-	13,440
Due from affiliates	207,071	91	242	-	(6,833)	200,571
Total current assets	310,280	682	817	1,767	(6,833)	306,713
Assets limited as to use	23,611	-	-	-	-	23,611
Property and equipment, net	162,886	265	575	61	-	163,787
Operating lease right-of-use assets, net	28,110	31	1,183	-	-	29,324
Other assets	30,741	7,085	1	138	(9,315)	28,650
Due from affiliates	5,116	-	-	-	-	5,116
Total assets	$ 560,744	$ 8,063	$ 2,576	$ 1,966	$ (16,148)	$ 557,201
LIABILITIES AND NET ASSETS (DEFICIT)						
Current liabilities:						
Current portion of long-term obligations	$ 5,800	$ -	$ 123	$ -	$ -	$ 5,923
Current portion of operating lease liabilities	3,403	31	161	-	-	3,595
Accounts payable	17,463	10	191	(37)	-	17,627
Accrued expenses	27,194	220	391	204	-	28,009
Deferred revenue and refundable advances	782	-	-	-	-	782
Due to affiliates	134,684	5,479	1,128	244	(6,833)	134,702
Total current liabilities	189,326	5,740	1,994	411	(6,833)	190,638
Long-term obligations, net	125,674	-	294	-	-	125,968
Long-term operating lease liabilities, net	25,043	-	1,024	-	-	26,067
Other long-term obligations	74,303	15	23	-	-	74,341
Due to affiliates	12,128	-	-	-	-	12,128
Total liabilities	426,474	5,755	3,335	411	(6,833)	429,142
Net assets (deficit):						
Without donor restrictions	130,811	2,308	(759)	1,555	(9,315)	124,600
With donor restrictions	3,459	-	-	-	-	3,459
Total net assets (deficit)	134,270	2,308	(759)	1,555	(9,315)	128,059
Total liabilities and net assets (deficit)	$ 560,744	$ 8,063	$ 2,576	$ 1,966	$ (16,148)	$ 557,201

CATHOLIC HEALTH SYSTEM, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (DEFICIT)
(in thousands of dollars)
For the Year Ended December 31, 2021

	Catholic Health Parent	Catholic Health Emmaus	Sterling Surgical Center	Health Care Solutions	Eliminations	Total
Revenues and other support without donor restrictions:						
Net patient service revenue	$ -	$ -	$ 3,338	$ -	$ -	$ 3,338
Other revenue	190,694	3,725	-	4,043	(4,323)	194,139
CARES Act Provider Relief Funding	-	-	25	-	-	25
Total revenues and other support without donor restrictions	190,694	3,725	3,363	4,043	(4,323)	197,502
Expenses:						
Salaries and wages	80,314	2,176	1,521	2,667	-	86,678
Employee benefits	22,824	605	378	584	-	24,391
Medical and professional fees	8,029	16	70	38	-	8,153
Purchased services	45,518	768	277	212	(4,323)	42,452
Supplies	725	58	834	35	-	1,652
Depreciation and amortization	21,562	26	77	24	-	21,689
Interest	4,450	-	27	-	-	4,477
Insurance	461	-	29	22	-	512
Other expenses	5,391	76	6,323	272	-	12,062
Total expenses	189,274	3,725	9,536	3,854	(4,323)	202,066
Income (loss) from operations	1,420	-	(6,173)	189	-	(4,564)
Non-operating revenues and expenses:						
Investment income	1,202	-	-	-	-	1,202
Other components of net periodic pension cost	(2,839)	-	-	-	-	(2,839)
Other revenues and gains, net	217	-	-	-	-	217
Total non-operating revenues and expenses	(1,420)	-	-	-	-	(1,420)
(Deficiency) excess of revenues over expenses	$ -	$ -	$ (6,173)	$ 189	$ -	$ (5,984)

CATHOLIC HEALTH SYSTEM, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (DEFICIT) (CONTINUED)
(in thousands of dollars)
For the Year Ended December 31, 2021

	Catholic Health Parent	Catholic Health Emmaus	Sterling Surgical Center	Health Care Solutions	Eliminations	Total
Net assets without donor restrictions:						
(Deficiency) excess of revenues over expenses	$ -	$ -	$ (6,173)	$ 189	$ -	$ (5,984)
Change in pension obligation, other than net periodic cost	15,121	-	-	-	-	15,121
Grant revenue for capital expenditures	6,087	-	-	-	-	6,087
Other	(10)	-	(1)	1,366	(1,370)	(15)
Increase (decrease) in net assets without donor restrictions	21,198	-	(6,174)	1,555	(1,370)	15,209
Net assets (deficit), beginning of year	113,072	2,308	5,415	-	(7,945)	112,850
Net assets (deficit), end of year	$ 134,270	$ 2,308	$ (759)	$ 1,555	$ (9,315)	$ 128,059

CATHOLIC HEALTH SYSTEM - ACUTE CARE SUBSIDIARIES

CONSOLIDATING BALANCE SHEET
(in thousands of dollars)
December 31, 2021

ASSETS	Mercy Hospital of Buffalo	Sisters Hospital	Kenmore Mercy Hospital	Mount St. Mary's Hospital	Total
Current assets:					
Cash and cash equivalents	$ 24,881	$ 44,534	$ 48,918	$ 17,649	$ 135,982
Restricted cash	-	-	-	5,069	5,069
Patient/resident accounts receivable	49,579	46,086	26,596	15,383	137,644
Other receivables	626	1,775	577	3,017	5,995
Inventories	11,880	5,616	2,786	2,504	22,786
Prepaid expenses and other current assets	506	797	82	136	1,521
Due from affiliates	10,970	75,174	20,252	1,024	107,420
Total current assets	98,442	173,982	99,211	44,782	416,417
Assets limited as to use	14,601	4,311	2,949	155	22,016
Investments	5,694	21,932	5,617	7,588	40,831
Property and equipment, net	99,182	73,535	55,092	33,598	261,407
Operating lease right-of-use assets, net	16,970	7,454	43	389	24,856
Other assets	49,591	35,021	11,806	5,200	101,618
Due from affiliates	-	10,303	1,456	-	11,759
Total assets	$ 284,480	$ 326,538	$ 176,174	$ 91,712	$ 878,904
LIABILITIES AND NET (DEFICIT) ASSETS					
Current liabilities:					
Current portion of long-term obligations	$ 1,575	$ 729	$ 2,186	$ 200	$ 4,690
Current portion of operating lease liabilities	2,894	1,668	20	123	4,705
Grant obligation	-	-	-	5,069	5,069
Accounts payable	17,008	20,388	12,131	4,246	53,773
Accrued expenses	21,724	21,066	9,518	8,218	60,526
Due to third-party payors	15,920	16,271	5,889	4,188	42,268
Medicare advances	20,273	9,109	6,932	3,457	39,771
Deferred revenue and refundable advances	900	-	149	5,967	7,016
Due to affiliates	47,555	30,492	16,426	10,683	105,156
Total current liabilities	127,849	99,723	53,251	42,151	322,974
Long-term obligations, net	83,604	43,531	29,891	5,525	162,551
Long-term operating lease liabilities, net	14,171	5,681	23	268	20,143
Other long-term obligations	226,273	141,117	50,713	22,840	440,943
Total liabilities	451,897	290,052	133,878	70,784	946,611
Net (deficit) assets:					
Without donor restrictions	(168,669)	32,313	41,298	15,862	(79,196)
With donor restrictions	1,252	4,173	998	5,066	11,489
Total net (deficit) assets	(167,417)	36,486	42,296	20,928	(67,707)
Total liabilities and net (deficit) assets	$ 284,480	$ 326,538	$ 176,174	$ 91,712	$ 878,904

CATHOLIC HEALTH SYSTEM - ACUTE CARE SUBSIDIARIES

CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (DEFICIT)
(in thousands of dollars)
For the Year Ended December 31, 2021

	Mercy Hospital of Buffalo	Sisters Hospital	Kenmore Mercy Hospital	Mount St. Mary's Hospital	Total
Revenues and other support without donor restrictions:					
Net patient service revenue	$ 384,716	$ 331,811	$ 176,581	$ 100,490	$ 993,598
Other revenue	4,360	15,154	1,401	16,221	37,136
CARES Act Provider Relief Funding	6,679	6,242	3,314	2,560	18,795
Net assets released from restrictions	61	109	4	103	277
Total revenues and other support without donor restrictions	395,816	353,316	181,300	119,374	1,049,806
Expenses:					
Salaries and wages	230,141	182,995	80,126	56,330	549,592
Employee benefits	53,220	44,893	19,732	13,661	131,506
Medical and professional fees	23,216	17,215	5,948	5,006	51,385
Purchased services	58,917	44,537	17,786	10,647	131,887
Supplies	83,033	70,434	44,720	15,271	213,458
Depreciation and amortization	21,551	18,719	9,898	4,384	54,552
Interest	4,715	3,156	2,177	232	10,280
Insurance	6,348	5,087	2,011	1,230	14,676
Other expenses	14,115	9,876	4,171	14,132	42,294
Total expenses	495,256	396,912	186,569	120,893	1,199,630
Loss from operations	(99,440)	(43,596)	(5,269)	(1,519)	(149,824)
Non-operating revenues and expenses:					
Investment income	4,666	12,777	3,223	920	21,586
Other components of net periodic pension costs	(6,874)	(3,472)	(1,430)	(317)	(12,093)
Other revenues and gains, net	83	853	34	12	982
Total non-operating revenues and expenses	(2,125)	10,158	1,827	615	10,475
Deficiency of revenues over expenses	$ (101,565)	$ (33,438)	$ (3,442)	$ (904)	$ (139,349)

CATHOLIC HEALTH SYSTEM - ACUTE CARE SUBSIDIARIES

CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET (DEFICIT) ASSETS (CONTINUED)
(in thousands of dollars)
For the Year Ended December 31, 2021

	Mercy Hospital of Buffalo	Sisters Hospital	Kenmore Mercy Hospital	Mount St. Mary's Hospital	Total
Net assets without donor restrictions:					
Deficiency of revenues over expenses	$ (101,565)	$ (33,438)	$ (3,442)	$ (904)	$ (139,349)
Change in pension obligation, other than net periodic cost	37,672	30,704	9,208	940	78,524
Net assets released from restrictions for capital	676	602	159	207	1,644
Grant revenue for capital expenditures	-	1,267	300	374	1,941
Other	-	-	1	-	1
(Decrease) increase in net assets without donor restrictions	(63,217)	(865)	6,226	617	(57,239)
Net assets with donor restrictions:					
Contributions	301	950	837	3,449	5,537
Investment income	28	-	-	7	35
Special events revenue, net	-	261	9	2	272
Net assets released from restrictions	(737)	(711)	(163)	(310)	(1,921)
Other	1	-	-	-	1
Increase (decrease) in net assets with donor restrictions	(407)	500	683	3,148	3,924
(Decrease) increase in net assets	(63,624)	(365)	6,909	3,765	(53,315)
Net (deficit) assets, beginning of year	(103,793)	36,851	35,387	17,163	(14,392)
Net (deficit) assets, end of year	$ (167,417)	$ 36,486	$ 42,296	$ 20,928	$ (67,707)

CATHOLIC HEALTH SYSTEM - HOME AND COMMUNITY BASED SUBSIDIARIES

CONSOLIDATING BALANCE SHEET
(in thousands of dollars)
December 31, 2021

ASSETS	Father Baker Manor	St. Francis Geriatric	Mercy Home Care	McAuley Seton Home Care	Infusion Pharmacy	Total
Current assets:						
Cash and cash equivalents	$ 1,744	$ 307	$ 473	$ 27,639	$ 2,952	$ 33,115
Patient/resident accounts receivable	2,242	2	531	5,189	2,290	10,254
Other receivables	-	-	196	-	(30)	166
Inventories	30	-	-	54	1,488	1,572
Prepaid expenses and other current assets	8	12	-	10	31	61
Due from affiliates	105	7	2,511	37,742	74	40,439
Total current assets	4,129	328	3,711	70,634	6,805	85,607
Interest in net assets of related Foundations	136	-	-	-	-	136
Assets limited as to use	3,051	-	-	-	-	3,051
Investments	-	-	-	2,090	-	2,090
Property and equipment, net	4,097	10,001	-	256	818	15,172
Operating lease right-of-use assets, net	-	-	-	177	1,006	1,183
Other assets	1,718	161	488	3,514	716	6,597
Total assets	$ 13,131	$ 10,490	$ 4,199	$ 76,671	$ 9,345	$ 113,836
LIABILITIES AND NET (DEFICIT) ASSETS						
Current liabilities:						
Current portion of long-term obligations	$ -	$ 380	$ -	$ -	$ -	$ 380
Current portion of operating lease liabilities	-	-	-	46	151	197
Accounts payable	544	21	-	112	161	838
Accrued expenses	1,394	130	619	3,710	921	6,774
Due to third-party payors	762	-	17	761	71	1,611
Medicare advances	38	-	-	1,027	-	1,065
Deferred revenue and refundable advances	-	-	741	-	-	741
Due to affiliates	22,731	1,269	3	3	17	24,023
Total current liabilities	25,469	1,800	1,380	5,659	1,321	35,629
Long-term obligations, net	-	7,979	-	-	-	7,979
Long-term operating lease liabilities, net	-	-	-	131	876	1,007
Other long-term obligations	5,561	161	2,839	11,202	648	20,411
Total liabilities	31,030	9,940	4,219	16,992	2,845	65,026
Net (deficit) assets:						
Without donor restrictions	(18,035)	550	(20)	59,679	6,500	48,674
With donor restrictions	136	-	-	-	-	136
Total net (deficit) assets	(17,899)	550	(20)	59,679	6,500	48,810
Total liabilities and net (deficit) assets	$ 13,131	$ 10,490	$ 4,199	$ 76,671	$ 9,345	$ 113,836

CATHOLIC HEALTH SYSTEM - HOME AND COMMUNITY BASED SUBSIDIARIES

CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET (DEFICIT) ASSETS
(in thousands of dollars)
For the Year Ended December 31, 2021

	Father Baker Manor	St. Francis Geriatric	Mercy Home Care	McAuley Seton Home Care	Infusion Pharmacy	Total
Revenues and other support without donor restrictions:						
Net patient service revenue	$ 14,848	$ -	$ 5,844	$ 43,619	$ 12,623	$ 76,934
Other revenue	4,165	1,766	835	198	374	7,338
CARES Act Provider Relief Funding	207	-	-	28	9	244
Total revenues and other support without donor restrictions	19,220	1,766	6,679	43,845	13,006	84,516
Expenses:						
Salaries and wages	15,531	755	4,934	26,516	3,175	50,911
Employee benefits	3,120	208	1,147	6,669	757	11,901
Medical and professional fees	223	-	17	1,028	400	1,668
Purchased services	1,874	470	396	1,472	262	4,474
Supplies	1,380	153	39	1,278	7,598	10,448
Depreciation and amortization	563	405	39	585	70	1,662
Interest	28	346	22	236	4	636
Insurance	493	20	(10)	113	4	620
Other expenses	1,579	11	282	1,760	565	4,197
Total expenses	24,791	2,368	6,866	39,657	12,835	86,517
(Loss) income from operations	(5,571)	(602)	(187)	4,188	171	(2,001)
Non-operating revenues and expenses:						
Investment income	33	-	2	2,534	3	2,572
Other components of net periodic pension cost	(126)	-	(74)	(320)	(11)	(531)
Other revenues and gains, net	1	-	-	4	-	5
Total non-operating revenues and expenses	(92)	-	(72)	2,218	(8)	2,046
(Deficiency) excess of revenues over expenses	(5,663)	(602)	(259)	6,406	163	45
Change in pension obligation, other than net periodic cost	858	-	389	2,059	25	3,331
Grant revenue for capital expenditures	96	-	-	-	-	96
Other	(24)	-	(2)	1	3	(22)
(Decrease) increase in net assets without donor restrictions	(4,733)	(602)	128	8,466	191	3,450
Net assets with donor restrictions:						
Change in interest in related Foundations	6	-	-	-	-	6
Increase in net assets with donor restrictions	6	-	-	-	-	6
(Decrease) increase in net assets	(4,727)	(602)	128	8,466	191	3,456
Net (deficit) assets, beginning of year	(13,172)	1,152	(148)	51,213	6,309	45,354
Net (deficit) assets, end of year	$ (17,899)	$ 550	$ (20)	$ 59,679	$ 6,500	$ 48,810

CATHOLIC HEALTH SYSTEM - OTHER SUBSIDIARIES

CONSOLIDATING BALANCE SHEET
(in thousands of dollars)
December 31, 2021

ASSETS	Our Lady of Victory Renaissance	Continuing Care Foundation	LIFE	Trinity	Niagara Medicine	Total
Current assets:						
Cash and cash equivalents	$ 2,194	$ 495	$ 19,688	$ 3,856	$ 129	$ 26,362
Patient/resident accounts receivable	-	-	1,160	6,753	9	7,922
Other receivables	65	15	14	177	-	271
Prepaid expenses and other current assets	38	-	24	266	-	328
Due from affiliates	242	-	-	424	-	666
Total current assets	2,539	510	20,886	11,476	138	35,549
Interest in net assets of related Foundations	5	-	-	-	-	5
Assets limited as to use	385	-	1,134	-	-	1,519
Property and equipment, net	10,425	-	4,483	3,276	-	18,184
Operating lease right-of-use assets, net	-	-	4,245	8,585	-	12,830
Other assets	300	-	21	843	-	1,164
Total assets	$ 13,654	$ 510	$ 30,769	$ 24,180	$ 138	$ 69,251
LIABILITIES AND NET ASSETS (DEFICIT)						
Current liabilities:						
Current portion of long-term obligations	$ 500	$ -	$ -	$ 61	$ -	$ 561
Current portion of operating lease liabilities	-	-	353	1,458	-	1,811
Accounts payable	242	-	2,022	970	-	3,234
Accrued expenses	349	-	1,139	3,631	-	5,119
Due to third-party payors	-	-	4,500	(184)	-	4,316
Due to affiliates	264	6	695	79,676	1,338	81,979
Total current liabilities	1,355	6	8,709	85,612	1,338	97,020
Long-term obligations, net	7,002	-	-	187	-	7,189
Long-term operating lease liabilities, net	-	-	3,988	7,275	-	11,263
Other long-term obligations	1,204	-	1,055	-	50	2,309
Total liabilities	9,561	6	13,752	93,074	1,388	117,781
Net assets (deficit):						
Without donor restrictions	3,862	26	17,017	(68,894)	(1,250)	(49,239)
With donor restrictions	231	478	-	-	-	709
Total net assets (deficit)	4,093	504	17,017	(68,894)	(1,250)	(48,530)
Total liabilities and net assets (deficit)	$ 13,654	$ 510	$ 30,769	$ 24,180	$ 138	$ 69,251

CATHOLIC HEALTH SYSTEM - OTHER SUBSIDIARIES

CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (DEFICIT)
(in thousands of dollars)
For the Year Ended December 31, 2021

	Our Lady of Victory Renaissance	Continuing Care Foundation	LIFE	Trinity	Niagara Medicine	Total
Revenues and other support without donor restrictions:						
Net patient service revenue	$ -	$ -	$ 24,766	$ 45,392	$ (33)	$ 70,125
Other revenue	5,781	20	25	6,840	-	12,666
CARES Act Provider Relief Funding	-	-	-	62	-	62
Total revenues and other support without donor restrictions	5,781	20	24,791	52,294	(33)	82,853
Expenses:						
Salaries and wages	270	-	3,047	48,088	-	51,405
Employee benefits	92	-	905	5,719	-	6,716
Medical and professional fees	3	-	369	2,323	7	2,702
Purchased services	1,854	8	17,853	2,450	-	22,165
Supplies	89	-	678	3,418	-	4,185
Depreciation and amortization	1,482	-	282	472	-	2,236
Interest	374	-	-	1,166	3	1,543
Insurance	84	-	12	1,001	-	1,097
Other expenses	111	-	635	3,234	344	4,324
Total expenses	4,359	8	23,781	67,871	354	96,373
Income (loss) from operations	1,422	12	1,010	(15,577)	(387)	(13,520)
Non-operating revenues and expenses:						
Other components of net periodic pension cost	-	-	(37)	-	-	(37)
Other revenues and gains, net	54	-	6	-	-	60
Total non-operating revenues and expenses	54	-	(31)	-	-	23
Excess (deficiency) of revenues over expenses	$ 1,476	$ 12	$ 979	$ (15,577)	$ (387)	$ (13,497)

CATHOLIC HEALTH SYSTEM - OTHER SUBSIDIARIES

CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (DEFICIT) (CONTINUED)
(in thousands of dollars)
For the Year Ended December 31, 2021

	Our Lady of Victory Renaissance	Continuing Care Foundation	LIFE	Trinity	Niagara Medicine	Total
Net assets without donor restrictions:						
Excess (deficiency) of revenues over expenses	$ 1,476	$ 12	$ 979	$ (15,577)	$ (387)	$ (13,497)
Change in unrealized loss on interest rate swaps	434	-	-	-	-	434
Change in pension obligation, other than net periodic cost	-	-	201	-	-	201
Other	-	-	(24)	1	-	(23)
Increase (decrease) in net assets without donor restrictions	1,910	12	1,156	(15,576)	(387)	(12,885)
Net assets with donor restrictions:						
Contributions	-	114	-	-	-	114
Other	-	(2)	-	-	-	(2)
Increase in net assets with donor restrictions	-	112	-	-	-	112
Increase (decrease) in net assets	1,910	124	1,156	(15,576)	(387)	(12,773)
Net assets (deficit), beginning of year	2,183	380	15,861	(53,318)	(863)	(35,757)
Net assets (deficit), end of year	$ 4,093	$ 504	$ 17,017	$ (68,894)	$ (1,250)	$ (48,530)

CATHOLIC HEALTH SYSTEM, INC. AND SUBSIDIARIES

(KENMORE MERCY HOSPITAL AND SUBSIDIARIES)
CONSOLIDATING BALANCE SHEET
(in thousands of dollars)
December 31, 2021

ASSETS	**Kenmore Mercy Hospital**	**The McAuley Residence**	**The Kenmore Mercy Foundation**	**Eliminations**	**Consolidated**
Current assets:					
Cash and cash equivalents	$ 47,386	$ 870	$ 662	$ -	$ 48,918
Patient/resident accounts receivable	23,560	3,036	-	-	26,596
Other receivables	188	-	389	-	577
Inventories	2,786	-	-	-	2,786
Prepaid expenses and other current assets	74	8	-	-	82
Due from affiliates	20,255	17	1	(21)	20,252
Total current assets	94,249	3,931	1,052	(21)	99,211
Interest in net assets of affiliated Foundation	4,409	-	-	(4,409)	-
Assets limited as to use	1,745	1,204	-	-	2,949
Investments	2,177	-	3,440	-	5,617
Property and equipment, net	47,600	7,492	-	-	55,092
Operating lease right-of-use assets, net	43	-	-	-	43
Other assets	9,614	3,789	-	(1,597)	11,806
Due from affiliates	1,456	-	-	-	1,456
Total assets	$ 161,293	$ 16,416	$ 4,492	$ (6,027)	$ 176,174
LIABILITIES AND NET ASSETS (DEFICIT)					
Current liabilities:					
Current portion of long-term obligations	$ 1,456	$ 730	$ -	$ -	$ 2,186
Current portion of operating lease liabilities	20	-	-	-	20
Accounts payable	11,489	603	39	-	12,131
Accrued expenses	7,783	1,732	3	-	9,518
Due to third-party payors	4,980	909	-	-	5,889
Medicare advances	6,932	-	-	-	6,932
Deferred revenue and refundable advances	-	149	-	-	149
Due to affiliates	73	16,333	41	(21)	16,426
Total current liabilities	32,733	20,456	83	(21)	53,251
Long-term obligations, net	26,366	3,525	-	-	29,891
Long-term operating lease liabilities, net	23	-	-	-	23
Other long-term obligations	42,093	8,620	-	-	50,713
Total liabilities	101,215	32,601	83	(21)	133,878
Net assets (deficit):					
Without donor restrictions	59,080	(16,185)	3,411	(5,008)	41,298
With donor restrictions	998	-	998	(998)	998
Total net assets (deficit)	60,078	(16,185)	4,409	(6,006)	42,296
Total liabilities and net assets (deficit)	$ 161,293	$ 16,416	$ 4,492	$ (6,027)	$ 176,174

CATHOLIC HEALTH SYSTEM, INC. AND SUBSIDIARIES

(KENMORE MERCY HOSPITAL AND SUBSIDIARIES)
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (DEFICIT)
(in thousands of dollars)
For the Year Ended December 31, 2021

	Kenmore Mercy Hospital	The McAuley Residence	The Kenmore Mercy Foundation	Eliminations	Consolidated
Revenue and other support without donor restrictions:					
Net patient service revenue	$ 161,193	$ 15,391	$ (3)	$ -	$ 176,581
Other revenue	860	200	341	-	1,401
CARES Act Provider Relief Funding	3,314	-	-	-	3,314
Net assets released from restriction	-	-	4	-	4
Total revenue and other support without donor restrictions	165,367	15,591	342	-	181,300
Expenses:					
Salaries and wages	66,933	12,941	252	-	80,126
Employee benefits	17,076	2,584	72	-	19,732
Medical and professional fees	5,665	272	11	-	5,948
Purchased services	16,001	1,700	85	-	17,786
Supplies	43,102	1,617	1	-	44,720
Depreciation and amortization	9,161	737	-	-	9,898
Interest	1,904	273	-	-	2,177
Insurance	1,781	230	-	-	2,011
Other expenses	3,283	824	404	(340)	4,171
Total expenses	164,906	21,178	825	(340)	186,569
Income (loss) from operations	461	(5,587)	(483)	340	(5,269)
Non-operating revenues and expenses:					
Investment income	2,835	10	378	-	3,223
Other components of net periodic pension cost	(1,287)	(143)	-	-	(1,430)
Other revenues and gains, net	30	4	-	-	34
Total non-operating revenues and expenses	1,578	(129)	378	-	1,827
Excess (deficiency) of revenues over expenses	$ 2,039	$ (5,716)	$ (105)	$ 340	$ (3,442)

CATHOLIC HEALTH SYSTEM, INC. AND SUBSIDIARIES

(KENMORE MERCY HOSPITAL AND SUBSIDIARIES)
CONSOLIDATING STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS (DEFICIT) (CONTINUED)
(in thousands of dollars)
For the Year Ended December 31, 2021

	Kenmore Mercy Hospital	The McAuley Residence	The Kenmore Mercy Foundation	Eliminations	Consolidated
Net assets without donor restrictions:					
Excess (deficiency) of revenues over expenses	$ 2,039	$ (5,716)	$ (105)	$ 340	$ (3,442)
Change in interest in affiliated Foundation	55	-	-	(55)	-
Change in pension obligation, other than net periodic cost	8,181	1,027	-	-	9,208
Net assets released from restrictions used for capital	-	-	159	-	159
Grant revenue for capital expenditures	340	-	-	(340)	-
Capital grants	300	-	-	-	300
Other	-	1	-	-	1
Increase (decrease) in net assets without donor restrictions	10,915	(4,688)	54	(55)	6,226
Net assets with donor restrictions:					
Contributions	-	-	837	-	837
Special events revenue, net	-	-	9	-	9
Change in interest in affiliated Foundation	683	-	-	(683)	-
Net assets released from restrictions	-	-	(163)	-	(163)
Increase (decrease) in net assets with donor restrictions	683	-	683	(683)	683
Increase (decrease) in net assets	11,598	(4,688)	737	(738)	6,909
Net assets (deficit), beginning of year	48,480	(11,497)	3,672	(5,268)	35,387
Net assets (deficit), end of year	$ 60,078	$ (16,185)	$ 4,409	$ (6,006)	$ 42,296

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITOR'S REPORT

To the Audit Committee of the Board of Directors
Catholic Health System, Inc.
Catholic Health Administrative & Regional Training Center
144 Genesee Street
Buffalo, New York 14203

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the consolidated financial statements of Catholic Health System, Inc. (the System) which comprise the balance sheet as of December 31, 2021, and the related statements of operations and changes in net assets and statement of cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated April 22, 2022.

Report on Internal Control over Financial Reporting
In planning and performing our audit of the consolidated financial statements, we considered the System's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters
As part of obtaining reasonable assurance about whether the System's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Freed Maxick CPAs, P.C.

Buffalo, New York
April 22, 2022