

**HOLY REDEEMER HEALTH SYSTEM**  
**CONSOLIDATED FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**YEARS ENDED JUNE 30, 2022 AND 2021**



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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Holy Redeemer Health System  
Philadelphia, Pennsylvania

### Report on the Financial Statements

#### ***Opinion***

We have audited the accompanying consolidated financial statements of Holy Redeemer Health System (Holy Redeemer), which comprise the consolidated balance sheets as of June 30, 2022 and 2021, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Holy Redeemer Health System, as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit 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*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Holy Redeemer Health System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the 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 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 Holy Redeemer Health System's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

***Auditors' Responsibilities for the Audit of the 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 auditors' 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 *Government Auditing Standards* 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 *Government Auditing Standards*, 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 Holy Redeemer Health System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Holy Redeemer Health System's ability to continue as a going concern for a reasonable period of time.

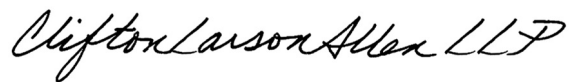
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

**Supplementary Information**

Our audit was conducted for the purpose of forming opinion on the consolidated financial statements as a whole. The accompanying consolidating balance sheets and consolidating statements of operations and changes in net assets show on pages 48 through 55 are presented for purposes of additional analysis and are 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 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 GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2022, on our consideration of Holy Redeemer Health 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 solely 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 the effectiveness of Holy Redeemer Health System’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Holy Redeemer Health System’s internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Plymouth Meeting, Pennsylvania  
October 24, 2022

**HOLY REDEEMER HEALTH SYSTEM**  
**CONSOLIDATED BALANCE SHEETS**  
**JUNE 30, 2022 AND 2021**  
*(In Thousands)*

	2022	2021
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 30,127	\$ 56,242
Current Portion of Trustee-Held Funds	9,098	9,589
Statutory Liquid Reserve	789	809
Patient Accounts Receivable	39,232	37,008
Other Current Assets	13,623	14,143
Total Current Assets	92,869	117,791
<b>ASSETS LIMITED AS TO USE</b>		
Trustee-Held Funds, Net of Current Portion	26,559	9,268
Construction Funds	3,751	-
Professional Liability Funds	63,893	66,155
Total Assets Limited as to Use	94,203	75,423
<b>PROPERTY AND EQUIPMENT, NET</b>	170,410	177,858
<b>OTHER ASSETS</b>		
Investments	158,120	201,050
Right-Of-Use Assets - Operating Leases	25,308	24,119
Other	7,986	11,275
Total Other Assets	191,414	236,444
Total Assets	\$ 548,896	\$ 607,516

See accompanying Notes to Consolidated Financial Statements.

**HOLY REDEEMER HEALTH SYSTEM**  
**CONSOLIDATED BALANCE SHEETS (CONTINUED)**  
**JUNE 30, 2022 AND 2021**  
*(In Thousands)*

<b>LIABILITIES AND NET ASSETS</b>	2022	2021
<b>CURRENT LIABILITIES</b>		
Line of Credit, Paycheck Protection Program Loans	\$ -	\$ 8,396
Current Portion of Capital Leases	1,306	1,709
Current Portion of Long-Term Debt	5,643	5,495
Current Portion of Lease Liabilities - Operating Leases	3,330	2,221
Accounts Payable	19,011	12,548
Accrued Expenses, Principally Salaries and Benefits	61,971	67,338
Current Portion of Self-Insurance and Other Liabilities	7,942	8,167
Current Portion of Third-Party Advances	6,411	-
Total Current Liabilities	105,614	105,874
<b>LONG-TERM LIABILITIES</b>		
Long-Term Capital Leases, Net of Current Portion	1,785	3,091
Long-Term Debt, Net of Current Portion	135,250	120,361
Long-Term Lease Liabilities - Operating Leases, Net	21,976	21,898
Third-Party Advances, Net of Current Portion	-	35,326
Refundable Advances	350	570
Pension Liability	26,339	48,780
Self-Insurance Liabilities	21,404	21,101
Other Liabilities	4,487	6,693
Deferred and Refundable Entry Fees, Net	10,955	11,379
Total Long-Term Liabilities	222,546	269,199
Total Liabilities	328,160	375,073
<b>NET ASSETS</b>		
Without Donor Restrictions:		
Unrestricted	201,519	214,437
Noncontrolling Interest	(560)	(4,789)
Total Without Donor Restrictions	200,959	209,648
With Donor Restrictions	19,777	22,795
Total Net Assets	220,736	232,443
Total Liabilities and Net Assets	\$ 548,896	\$ 607,516

See accompanying Notes to Consolidated Financial Statements.

**HOLY REDEEMER HEALTH SYSTEM**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**  
*(In Thousands)*

	2022	2021
<b>REVENUES</b>		
Patient Service Revenues	\$ 368,272	\$ 368,419
Other Operating Revenues	58,263	76,746
Net Assets Released from Restrictions Used for Operations	3,909	638
Total Revenues	430,444	445,803
<b>EXPENSES</b>		
Salaries and Wages	221,793	216,048
Employee Benefits	30,656	39,757
Purchased Services	75,599	69,176
General Expenses	37,627	38,052
Supplies	51,501	50,536
Insurance	9,858	11,793
Depreciation and Amortization	23,410	24,059
Interest Expense	5,257	5,308
Total Expenses	455,701	454,729
<b>OPERATING LOSS</b>	(25,257)	(8,926)
<b>NONOPERATING GAINS (LOSSES)</b>		
Investment Income	10,942	9,206
Net Change in Unrealized Gains (Losses) on Trading Securities	(28,899)	2,597
Realized Gains on Sales of Securities	10,945	14,637
Contributions	2,515	1,434
Other, Net	(2,903)	411
Total Nonoperating Gains (Losses)	(7,400)	28,285
<b>EXCESS (DEFICIENCY) OF REVENUES AND GAINS OVER EXPENSES AND LOSSES</b>	\$ (32,657)	\$ 19,359

See accompanying Notes to Consolidated Financial Statements.



**HOLY REDEEMER HEALTH SYSTEM**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND**  
**CHANGES IN NET ASSETS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2022 AND 2021**  
*(In Thousands)*

	2022	2021
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
Excess (Deficiency) of Revenues and Gains Over Expenses and Losses	\$ (32,657)	\$ 19,359
Other Changes in Net Assets Without Donor Restrictions:		
Equity Transfers	1,486	9
Other Changes in Pension Liability	19,828	12,544
Other Changes in Net Assets	5,345	(246)
Distributions	<u>(2,691)</u>	<u>(2,457)</u>
Increase (Decrease) in Net Assets Without Donor Restrictions	(8,689)	29,209
<b>NET ASSETS WITH DONOR RESTRICTIONS</b>		
Contributions	3,600	4,194
Income (Loss) on Long-Term Investments	(2,123)	2,009
Net Assets Released from Restrictions Used for Operations	<u>(4,495)</u>	<u>(1,846)</u>
Increase (Decrease) in Net Assets With Donor Restrictions	<u>(3,018)</u>	<u>4,357</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	(11,707)	33,566
Net Assets - Beginning of Year	<u>232,443</u>	<u>198,877</u>
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$ 220,736</u></u>	<u><u>\$ 232,443</u></u>

See accompanying Notes to Consolidated Financial Statements.

**HOLY REDEEMER HEALTH SYSTEM**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**  
*(In Thousands)*

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (Decrease) in Net Assets	\$ (11,707)	\$ 33,566
Adjustments to Reconcile Decrease in Net Assets to		
Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	23,410	24,059
Amortization of Bond Premiums	(899)	(951)
Amortization of Debt Issuance Costs	289	131
Restricted Contributions and Investment Income Received	-	(4,462)
Forgiveness of Paycheck Protection Program Loan	(8,396)	(2,154)
Other Changes in Pension Liability	(19,828)	(12,544)
Net Changes in Assets and Liabilities:		
Patient Accounts Receivable	(2,224)	2,452
Other Current Assets	520	(3,255)
Other Assets	2,100	(24,004)
Accounts Payable	6,463	2,997
Accrued Expenses, Principally Salaries and Benefits	(5,367)	11,144
Third-Party Advances	(28,915)	(5,883)
Self-Insurance Liabilities	1,187	1,365
Other Liabilities	(2,128)	23,517
Pension Liability	(2,613)	(1,544)
Net Cash Provided (Used) by Operating Activities	(48,107)	44,434
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment, Net	(15,962)	(12,220)
Changes in Assets Limited as to Use - Other-than-Trading	30,867	(57,010)
Net Cash Provided (Used) by Investing Activities	14,905	(69,230)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Restricted Contributions and		
Restricted Investment Income	-	4,462
Proceeds from Long-Term Debt and Line of Credit	22,300	-
Repayments of Long-Term Debt and Line of Credit	(5,706)	(17,308)
Repayments on Capital Leases	(1,709)	(2,832)
Refundable Advances Proceeds (Refunds), Net	(220)	(7,073)
Deferred Financing Costs	(948)	(15)
Deferred Entry Fee Deposits Received	(424)	(378)
Net Cash Provided (Used) by Financing Activities	13,293	(23,144)
<b>NET DECREASE IN CASH, CASH EQUIVALENTS,</b>		
<b>  AND RESTRICTED CASH</b>	(19,909)	(47,940)
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	69,738	117,678
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH -</b>		
<b>  END OF YEAR</b>	\$ 49,829	\$ 69,738

See accompanying Notes to Consolidated Financial Statements.

**HOLY REDEEMER HEALTH SYSTEM**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2022 AND 2021**  
*(In Thousands)*

	<u>2022</u>	<u>2021</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest Paid	<u>\$ 6,196</u>	<u>\$ 6,165</u>
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Capital Leases Incurred	<u>\$ -</u>	<u>\$ 2,328</u>

See accompanying Notes to Consolidated Financial Statements.

**HOLY REDEEMER HEALTH SYSTEM**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**  
*(In Thousands)*

**NOTE 1 ORGANIZATION**

Holy Redeemer Health System (HRHS), a Pennsylvania nonprofit corporation, is a Catholic, multi-institutional health system sponsored by its parent entity (member), Redeemer Ministries, a Pennsylvania nonprofit corporation and public juridic person, whose purpose is to oversee and promote the mission of HRHS in a manner consistent with the charism, spirituality and tradition of the Sisters of the Redeemer, HRHS's founding institution.

Redeemer Ministries is also the sole member and sponsor of Redeemer Health, a newly formed Pennsylvania nonprofit corporation currently serving as the sole member of Management Corp. (described below).

Redeemer Ministries is not consolidated in the consolidated financial statements presented here.

**HRHS consists of:**

Holy Redeemer Hospital (the Hospital) is a 239-bed short-term, acute care medical surgical community hospital with a 21-bed skilled nursing facility.

Holy Redeemer St. Joseph Manor (Manor), a personal care and nursing care facility with 296 nursing and 62 personal care beds.

Holy Redeemer Lafayette, an independent living, residential personal care and nursing facility with 304 residential units and 120 nursing care beds.

Little Flower Manor (LFM) Nursing Home founded in 1977 and is a 127-bed facility that provides skilled nursing and rehabilitation service. LFM is located in Darby, PA, Delaware County.

Holy Redeemer Home Care and Hospice, provides a full range of home health services, including a Medicare certified home health agency and hospice, along with a division which provides companion services and private duty nursing and aid services.

A development division that provides fundraising support to HRHS and its subsidiaries.

**HRHS subsidiaries consist of:**

HR Physician Services dba Holy Redeemer Physician and Ambulatory Services (HRPS) employs and contracts with physicians and other health care providers who deliver health care services to Holy Redeemer affiliates, as well as HRPS owned physician practices. HRHS is the sole corporate member.

Holy Redeemer Visiting Nurse Agency, Inc. (HRVNA) is a Medicare certified home health agency and hospice located in New Jersey, which provides a full range of home health care services. HRHS is the sole corporate member.

**HOLY REDEEMER HEALTH SYSTEM**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**  
*(In Thousands)*

**NOTE 1 ORGANIZATION (CONTINUED)**

**HRHS subsidiaries consist of (continued):**

THR Insurance Company, Ltd. (THR), formed May 6, 2005, is a freestanding corporation through which HRHS insures its professional liability and general liability risk through the single parent captive insurance company. HRHS is the sole corporate member.

Drueding Center (Drueding) provides housing, child daycare, and a comprehensive network of health, social, educational, and vocational services to homeless single women and their children. HRHS is the sole corporate member.

Redeemer Village and Redeemer Village II (the Villages) are two separate corporations, which provide low-income independent housing to the elderly and disabled. The Villages' fiscal year-end is September 30. HRHS is the sole corporate member.

The Villages ceased operating as low income housing entities and sold its fixed assets and transitioned operations to a new company, Redeemer Village Housing LLC (RVHL) in April 2022.

Redeemer Village Housing, LLC (RVHL), which provides low-income independent housing (199 affordable apartments) to the low income elderly and disabled, assumed the operations of Redeemer Villages in April, 2022. Redeemer Health controls, through its membership interests in particular having the majority control of Redeemer Village Housing Managing Member, LLC, RVHL. Redeemer Village Housing Managing Member, LLC is the managing member of RVHL. RVHL is jointly owned by Redeemer Village Housing Managing Member, LLC (.01%) and the Royal Bank of Canada (99.99%). Redeemer Health has the ability to exercise control over RVHL and therefore consolidates RVHL in the consolidated financial statements. RVHL has secured financing to renovate and update all of the 199 units, a project which will take approximately two years to complete.

Visiting Nurse and Health Services (VNHS) doing business as Holy Redeemer Home Care - North (HRHC - North) which provides skilled nursing, therapy, nutrition, social work, and other health care services such as Medicare certified home health agencies. HRHS was the sole corporate member through April 5, 2016. Effective April 6, 2016, Saint Peter's University Hospital became a minority member of this entity with a 9.9% interest. VNHS is also the sole member of VNHS Foundation.

Holy Redeemer Home Care, Inc. (HRHC), which provides skilled nursing, therapy, nutrition, social work, and other health care services such as Medicare certified home health agencies. HRHS is the sole corporate member.

Visiting Nurse Service System (VNSS), a nonoperating holding company, consists of Holy Redeemer Hospice, Inc. (HR Hospice), which provides hospice services as a Medicare certified hospice agency. VNSS is the sole member of HR Hospice.

**HOLY REDEEMER HEALTH SYSTEM**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**  
*(In Thousands)*

**NOTE 1 ORGANIZATION (CONTINUED)**

**HRHS subsidiaries consist of (continued):**

VNA Home Care of Mercer County, Inc. (VNA Mercer), a New Jersey nonprofit corporation, a Medicare certified and CHAP accredited agency, provides skilled nursing, specialty nursing, hospice services and a full range of rehabilitation and certified home health aide services in Mercer County, New Jersey. HRHS is the sole corporate member.

Holy Redeemer Ambulatory Surgery Center, LLC (ASC) operates a freestanding ambulatory surgery center near the campus of Holy Redeemer Hospital. At June 30, 2022 and 2021, the ASC was owned 60% by nonaffiliated physicians and the balance of 40% by other HRHS controlled entities. As the HRHS controlled entities still have the ability to exercise control over the ASC, the consolidated financial statements of HRHS include the accounts of ASC.

Holy Redeemer - Dale Ziplez Homes for Independent Adults (HRDZ Homes), a Pennsylvania nonprofit corporation, operates two group homes for developmentally disabled adults. HRDZ Homes fiscal year-end was December 31, but effective July 1, 2021, HRDZ Homes fiscal year-end is June 30. HRHS is the sole corporate member.

Holy Redeemer Active and Retirement Living Community (HRARL), is a nonprofit continuing care and retirement community. HRARL maintains a 50.5% ownership in The Views at Pine Valley I, L.P. and a 51% ownership in The Views at Pine Valley I, LLC (hereafter collectively referred to as The Views at Pine Valley). HRHS is the sole corporate member.

Holy Redeemer Active and Retirement Communities, Inc. (HRARL, Inc.) was formed on July 1, 2004, to construct and sell age-restricted housing. HRARL, Inc. maintains a 50.5% ownership in The Views at Pine Valley II, L.P. and a 51% ownership in The Views at Pine Valley II, LLC (hereafter collectively referred to as The Views at Pine Valley II). HRHS is the sole corporate member.

Innovative Wellness Alliance, LLC (IWA), a Pennsylvania Limited Liability Corporation, operates as a Clinically Integrated Network of Physicians. At June 30, 2022 and 2021, HRHS/physician investors ownership was 86/14% and 87/13%, respectively.

PGC Acquisition, LLC (PGC, LLC), a Pennsylvania Limited Liability Company, was formed on December 22, 2016. The owners of PGC, LLC are HRPS with 99% and Philmont Guidance Center, P.C. with 1%.

In January 2022, HRHS acquired 99% of the ownership of the Philmont Guidance Center, PC, (PGCPC) and PGCPC transferred 48% of its 49% interest in PGC, LLC to a HRPS representative.

Orthopedic Surgery & Rehabilitation Associates, LLC. (OSRA), a Pennsylvania Limited Liability Company is a jointly owned orthopedic practice formed on November 1, 2017. The owners of OSRA are HRPS with 70% and two physicians with a combined 30%.

**HOLY REDEEMER HEALTH SYSTEM**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**  
*(In Thousands)*

**NOTE 1 ORGANIZATION (CONTINUED)**

**HRHS subsidiaries consist of (continued):**

Redeemer Cancer Care Physicians Network, LLC, a Pennsylvania nonprofit limited liability company, was created April 1, 2022 and will become an oncology specialty physician practice, owned and operated by HRHS. The purpose and nature of the business will be to employ and/or contract for cancer care physicians and other licensed providers who will be providing oncology services at Redeemer Health's Cancer Program.

**Redeemer Health subsidiaries/member entities consist of:**

HRH Management Corporation (Management Corp.) owns and manages several medical office buildings within the primary service area of the Holy Redeemer Hospital. The properties are leased to physicians and other related HRHS activities. Redeemer Health is the sole corporate member. Redeemer Health and Management Corp. are consolidated into the HRHS financial statements.

**Other noncontrolled entities include:**

GNI Redeemer Health Spine Center, LLC (Spine JV) is a Pennsylvania Limited Liability company that was formulated on May 26, 2021. The Joint Venture Partnership is owned 50% by HRPAS and 50% by the Global Neurosciences Institute, who is also the Managing Partner. The Spine JV is not consolidated into HRHS financial statements.

Community Collaborative of Pennsylvania and New Jersey LLC (CCC), a for-profit Pennsylvania limited liability company, is a company focused on value based, performance incentive contracts with payors and preferred use arrangements with self-funded employers. The owners of CCC are HRHS with 50% and Doylestown Hospital with 50%. CCC is not consolidated into HRHS financial statements.

Management Corp. owns 49% of MUVE Warminster, LLC (MUVE), a business formed on December 1, 2015 to offer an innovative, seamless, and personalized approach for patients requiring total joint replacement surgery. MUVE is not consolidated into the HRHS financial statements.

D R Cardiology, LLC is a cardiology joint venture formed in August 2021 by Redeemer Health and Doylestown Hospital. The new partnership expands the reach of the nationally recognized Doylestown Health Cardiology program within the region. Cardiology patients will benefit from access to two health systems and affordable, high-quality cardiovascular care closer to home. The owners of DRC are HRHS with 50% and Doylestown Hospital with 50%. DRC is not consolidated into HRHS financial statements.

**HOLY REDEEMER HEALTH SYSTEM**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**  
*(In Thousands)*

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Consolidation**

All significant intercompany balances and transactions have been eliminated in consolidation.

With the exception of the development office, revenues and expenses are generated by providing and/or financing the services described above. Unrestricted contributions generated by the development office are classified as nonoperating gains (losses).

**Use of Estimates**

The preparation of these consolidated financial statements has required 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.

**Cash, Cash Equivalents, and Restricted Cash**

Cash and cash equivalents include amounts with original maturities of three months or less, excluding investments and assets limited as to use.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the consolidated balance sheets that sum to the total of the same such amounts shown in the consolidated statements of cash flows at June 30, 2022 and 2021:

	2022	2021
Cash and Cash Equivalents	\$ 30,127	\$ 56,242
Restricted Cash included in Assets Limited as to Use	18,913	11,684
Restricted Cash included in Investments	-	1,003
Restricted Cash included in Statutory Liquid Reserve	789	809
Total Cash, Cash Equivalents, and Restricted Cash Shown in the Consolidated Statement of Cash Flows	\$ 49,829	\$ 69,738

**Assets Limited as to Use**

Assets limited as to use include assets held by trustees under indenture agreements as well as self-insurance programs.

**Property and Equipment**

Property and equipment are recorded at cost or, if donated, at fair value at the date of receipt. Land is stated at cost, except for land transferred to the Manor by Sisters, which was recorded at the nominal value of \$1. Costs of major additions and improvements of \$2,500 or greater with an estimated useful life of at least three years are capitalized; maintenance and repairs, which do not improve or extend the life of the respective assets, are charged to operations as incurred.



**HOLY REDEEMER HEALTH SYSTEM**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**  
*(In Thousands)*

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property and Equipment (Continued)**

When an asset is sold, retired, or otherwise disposed of, the cost of the property and related accumulated depreciation are removed from the respective accounts, and any resulting gains or losses are reflected in other operating revenue.

Depreciation is provided over the estimated useful lives of the fixed assets on the straight-line method.

**Impairment of Long-Lived Assets**

HRHS reviews its property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the property are less than its carrying amount, management compares the carrying amount of the property to its fair value in order to determine whether an impairment loss has occurred. The amount of impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss was recognized in 2022 and 2021.

**Leases**

The Organization determines if an arrangement is a lease at inception. Operating leases are included in right-of-use (ROU) assets-operating lease and lease liability-operating leases, and finance leases are included in right-of-use (ROU) assets-financing and lease liability-financing in the consolidated balance sheets.

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Organization has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities.

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**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investments and Investment Income**

Investments in debt and equity securities, mutual funds, managed funds, and money market funds, with readily determinable fair values, are recorded at fair value. Investments in private equity limited partnerships, for which the ownership percentage is less than 3%, are recorded at the lower of cost or fair value. Managed funds represent subscriptions in hedge funds and fund-of-funds utilized to diversify the portfolio of HRHS. Annual audited financial statements for these funds are submitted to HRHS and reviewed by management. The funds' financial statements are presented at fair value as estimated in an unquoted market. The related investment balance is equal to HRHS's proportionate interest in the fund's net equity. Individual investment holdings within the investments may, in turn, include investments in both nonmarketable and market-traded securities. Valuations of these investments are primarily based on financial data supplied by the underlying investee funds. Values may be based on historical cost, appraisals, or other estimates that require varying degrees of judgment.

Investment income from net assets without donor restrictions is reported as nonoperating gains in the consolidated statements of operations and changes in net assets.

HRHS's investment portfolio, with the exception of private equity limited partnerships and Trustee-Held Funds, are designed as a "trading" portfolio in accordance with FASB ASC 320, *Investments*. FASB ASC 954-320 *Investments – Debt and Equity Securities* requires that changes in unrealized gains and losses on marketable securities designated as trading be reported within excess of revenues and gains over expenses and losses. The private equity limited partnerships and Trustee-Held Funds are classified as "other-than-trading" investments.

**Deferred Financing Costs**

Deferred financing costs represent debt issuance costs which are amortized over the period the obligations are outstanding using the effective interest method. Amortization expense, including amortization of the bond discount (see Note 8), was \$289 and \$131 for the fiscal years ending June 30, 2022 and 2021, respectively, and is reported as a component of interest expense in the consolidated statement of operations.

**Deferred Entry Fees**

Deferred entry fees represents amounts received from residents and prospective residents upon signing a residency agreement and payment of the initial 10% deposit. Generally upon move-in, the deferred entry fee on the contract is initially refundable for 90 days, but becomes 10% nonrefundable after the initial 90-day period has passed. The 90% refundable portion of the deferred entry fee is refundable upon contract termination and re-occupancy of the unit or five years from the date the unit becomes vacant. At, June 30, 2022 and 2021, the portion of entry fees subject to refund provisions amount to \$8,994 and \$9,663, respectively. The nonrefundable portion of the deferred entry fee is being amortized into other operating revenue over the actuarially determined life expectancy of each resident or resident couple, adjusted annually. Upon death of a sole surviving resident, any remaining unamortized portion of the deferred revenue from advance fees is recognized as revenue.

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**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Deferred Entry Fees (Continued)**

The opening and closing balances in deferred and refundable entry fees were as follows:

	Deferred and Refundable Entry Fees
Balance as of July 1, 2020	\$ 11,757
Balance as of June 30, 2021	11,379
Balance as of June 30, 2022	10,955

**Donor-Restricted Gifts**

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. The gifts are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without restrictions and reported in the consolidated statements of operations and changes in net assets, as net assets released from restrictions.

**Noncontrolling Interest**

HRHS has several consolidated investments with the corresponding third-party investor's ownership share presented as noncontrolling interests. The third-party investor's interest in the excess of revenues and gains over expenses and losses for the fiscal years ended June 30, 2022 and 2021 is reflected in the consolidated statements of operations and changes in net assets.

**Excess of Revenues (Deficiency) and Gains Over Expenses and Losses**

The consolidated statements of operations and changes in net assets include the excess of revenues (deficiency) and gains over expenses and losses which represents all unrestricted revenues and expenses for the reporting period. Other changes in net assets without donor restrictions that are excluded from the excess of revenues and gains over expenses and losses include equity transfers, other changes in pension liability, other changes in net assets, and distributions.

**Other Operating Revenue**

The Villages derive rental income under one-year tenant leases, which are renewed annually upon recertification of tenants' qualifications. The Villages have Housing Assistance Payments (HAP) contracts with the United States Department of Housing and Urban Development (HUD) pursuant to Section 8 of the United States Housing Act of 1973. The agreements are automatically renewed each year subject to the availability of funding. Rental income is included in other operating revenue on the consolidated statements of operations and changes in net assets.

RVHL, as the successor entity to the Villages, derives revenue in the same manner as described above.

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**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Other Operating Revenue (Continued)**

The Management Corp. derives leasing income primarily from physicians associated with HRHS. Leasing income is included in other operating revenue in the consolidated statements of operations and changes in net assets.

**Income Taxes**

With the exception of ASC, HRARL, Inc., PGC, LLC and OSRA, all entities are nonprofit corporations as described in Section 501(c)(3) of the Internal Revenue Code. In conformity with the Internal Revenue Code and applicable state and local tax statutes, taxable income or loss is required to be reported in the tax returns of the owners and, accordingly, no provision has been made in the accompanying consolidated financial statements for any federal, state, or local income taxes.

HRHS follows the guidance in the accounting standards regarding the recognition and measurement of uncertain tax positions. The guidance clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements. The guidance further prescribes recognition and measurement of tax provisions taken or expected to be taken on a tax return that are not certain to be realized.

The application of this standard has no impact on HRHS's consolidated financial statements.

**Liquidity and Availability**

HRHS regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing financial resources to meet expenses over a 12-month period, HRHS considers all expenses related to its ongoing mission-related activities as well as the conduct of services undertaken to support these activities.

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**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Liquidity and Availability (Continued)**

Financial assets available for general expenditure within one year of the consolidated balance sheet date consist of the following:

	2022	2021
Financial Assets as of Year-End:		
Cash and Cash Equivalents	\$ 30,127	\$ 56,242
Investments and Assets Limited as to Use	262,210	286,871
Patient Accounts Receivable, Net	39,232	37,008
Total Financial Assets	331,569	380,121
Financial Amounts not Available to be Used Within One Year:		
Investments:		
Assets Limited as to Use	104,090	85,821
Donor Restricted	19,777	22,795
Total Financial Assets not Available to be Used Within One Year	123,867	108,616
Total Financial Assets Available Within One Year	\$ 207,702	\$ 271,505

HRHS has assets limited to use for donor-restricted purposes and debt service, as well as certain other board-designated assets are designated for future capital expenditures and an operating reserve. These assets limited to use, which are more fully described in Note 6, are not available for general expenditure within the next year and are not reflected in the amounts above.

**Calculation of Statutory Liquid Reserves**

Under the provisions of the Pennsylvania Continuing Care Provider Registration and Disclosure Act (the Act), the continuing care retirement communities owned by HRHS must maintain a statutory minimum liquid reserve as of June 30, 2022, that is equal to the greater of 10% of 2023 total projected operating expenses, exclusive of depreciation and amortization, or the 2023 debt service requirements. In facilities where some residents are not under the continuing-care agreements, the reserve shall be computed only on the proportional share of financing or operating expense that is applicable to residents under continuing-care agreements at the end of the provider's most recent fiscal year. HRHS has two entities that are required to comply with the Act.

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**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Calculation of Statutory Liquid Reserves (Continued)**

The following is a calculation of the provisions under the Act for the Holy Redeemer Lafayette and HRARL as of June 30, 2022:

	Holy Redeemer Lafayette	HRARL
Total Principal and Interest Payments Due During the 12-Month Period July 1, 2021 Through June 30, 2022	\$ 1,322	\$ 682
Approximate Percentage of CCRC Contracts	5.3%	100%
Debt Service Applicable to CCRC Contracts	\$ 70	\$ 682
10% of the Projected 2022 Operating Expenses Exclusive of Depreciation	\$ 2,013	\$ 147
Approximate Percentage of CCRC Contracts	5.3%	100.0%
Projected Operating Expenses of CCRC Contracts	\$ 107	\$ 147
Total Minimum Liquid Reserve Requirement	\$ 107	\$ 682

The Holy Redeemer Lafayette's statutory minimum reserve is \$107 based on the 2023 projected operating expenses. For HRARL, the statutory minimum liquid reserve is \$682 based on the 2023 debt service requirements. Under the provisions and related amendments of the Act, the total unrestricted funds of the respective entities satisfy this requirement. Management believes that the continuing care retirement communities of HRHS are compliant with all other requirements of the Act at June 30, 2022.

**Subsequent Events**

In preparing these consolidated financial statements, HRHS has evaluated events and transactions for potential recognition or disclosure through October 24, 2022, the date the consolidated financial statements were issued. The results of this evaluation indicated that there are no subsequent events or transactions that are required to be disclosed in these consolidated financial statements.

**NOTE 3 PATIENT SERVICE REVENUE**

**Patient Care Service Revenue**

Patient care service revenue is reported on an accrual basis at the amount that reflects the consideration to which HRHS expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others and includes consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, HRHS bills the patients and third-party payors several days after the services are performed and/or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied.

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**NOTE 3 PATIENT SERVICE REVENUE (CONTINUED)**

**Patient Care Service Revenue (Continued)**

Performance obligations are determined based on the nature of the services provided by HRHS. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. HRHS believes that this method provides a reliable depiction 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 patients in the hospital receiving inpatient acute care services, patients receiving services in our outpatient centers, physician practice offices or in their homes (home care) as well as residents receiving resident care services within the skilled nursing and personal care communities. HRHS measures the performance obligation from admission into the hospital, or the commencement of an outpatient service, to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge or completion of the outpatient services. A majority of HRHS's patient service revenue is considered to be transferred over time.

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

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

- **Medicare:** Services are paid at prospectively determined rates based on clinical, diagnostic, and other factors. Medicare represents 44% of HRHS's patient service revenues for both the years ended June 30, 2022 and 2021.
- **Medicaid:** Reimbursements for Medicaid services are generally paid at prospectively determined rates per occasion of service. Medicaid represents 14% and 13% of HRHS's patient service revenues for the years ended June 30, 2022 and 2021, respectively.
- **Other:** Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined rates and discounts from established charges. Blue Cross and Aetna represent 28% and 29% of HRHS's patient service revenues for the years ended June 30, 2022 and 2021, respectively.

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**NOTE 3 PATIENT SERVICE REVENUE (CONTINUED)**

**Patient Care Service Revenue (Continued)**

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge HRHS's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon HRHS. In addition, the contracts HRHS has with commercial payors also provide for retroactive audit and review of claims. HRHS believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegation of potential wrongdoing.

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered constraint and are included in the determination of the transaction price for providing patient care when known. These settlements are recorded based on the terms of the payment agreement with the payor, correspondence from the payor and HRHS's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. HRHS also provides services to uninsured patients, and offers those uninsured patients a discount, either by policy or law, from standard charges. HRHS estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Additional revenue recognized due to changes in its estimates of implicit price concessions, discounts, and contractual adjustments were not considered material for the year ended June 30, 2022. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense.

Consistent with HRHS's mission, care is provided to patients regardless of their ability to pay. Therefore, HRHS has determined it has provided implicit price concessions to uninsured patients and 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 HRHS expects to collect based on its collection history with those patients.



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**NOTE 3 PATIENT SERVICE REVENUE (CONTINUED)**

**Patient Care Service Revenue (Continued)**

Patients who meet the HRHS's criteria for charity care are provided care without charge or at amounts less than established rates. Such amounts determined to qualify as charity care are not reported as revenue.

HRHS has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors:

- Payors (for example, Medicare, Medicaid, managed care or other insurance, patient) have different reimbursement/payment methodologies
- Length of the patient's service/episode of care
- Geography of the service location
- Method of reimbursement (fee for service or capitation)
- Organization's line of business that provided the service (for example, hospital, surgical center, physician practice, skilled nursing, assisted living, independent living, home health, etc.).

The composition of patient care service revenue based on its service lines, method of reimbursement, and timing of revenue recognition are as follows for the years ended June 30:

	2022	2021
Service Lines:		
Skilled Nursing Facility/Assisted Living	\$ 33,827	\$ 44,590
Independent Living	15,639	10,657
Hospital	182,776	172,949
OP Surgery	16,652	15,909
Physician Services	41,411	36,258
Home Health and Hospice	77,967	88,056
Total	\$ 368,272	\$ 368,419
Method of Reimbursement:		
Fee for Services	\$ 368,272	\$ 368,419
Total	\$ 368,272	\$ 368,419
Timing of Revenue and Recognition		
Health Care Services		
Transferred Over Time	\$ 368,272	\$ 368,419
Total	\$ 368,272	\$ 368,419

**HOLY REDEEMER HEALTH SYSTEM**  
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**NOTE 3 PATIENT SERVICE REVENUE (CONTINUED)**

**Patient Care Service Revenue (Continued)**

The opening and closing balances in patient accounts receivable were as follows:

	Patient Accounts Receivable
Balance as of July 1, 2020	\$ 39,460
Balance as of June 30, 2021	37,008
Balance as of June 30, 2022	39,232

**Financing Component**

HRHS has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to HRHS's expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payor pays for that service will be one year or less.

**Contract Costs**

HRHS has applied the practical expedient provided by FASB ASC 340-40-25-4 and all incremental customer contract acquisition costs are expensed as they are incurred as the amortization period of the asset that HRHS otherwise would have recognized is one year or less in duration.

**Third-Party Agreements**

Certain controlled affiliates of HRHS have agreements with third-party payors that provide for payments to the various affiliates at amounts different than their established rates. Patient service revenues recorded under the Medicare, Medical Assistance, Medical Assistance managed care, Medicare managed care, and Blue Cross reimbursement programs were approximately \$288.6 million and \$285.4 million for the fiscal years ended June 30, 2022 and 2021, respectively.

The Medical Assistance and Medicare programs reimburse the various affiliates of HRHS at predetermined per-case rates for inpatient services. Outpatient and physician services are reimbursed at prospective rates.

The Medicare program's administrative procedures preclude final determination of certain amounts due to HRHS until after the various cost reports are audited or otherwise reviewed and settled upon by the respective administrative agencies. The cost reports have been finalized by Medicare through the June 30, 2016 filed report.

Section 306 of the Medicare Prescription Drug Improvement and Modernization Act of 2003 directed the Secretary of Health and Human Services to demonstrate the use of Recovery Audit Contractor (RAC) under CMS' Medicare Integrity Program in identifying underpayments and overpayments under the Medicare program, and recouping those overpayments. RACs are third-party organizations under contract with CMS, and the law provides that compensation paid to each RAC be based on a percentage of overpayment recoveries identified by the RAC.

**HOLY REDEEMER HEALTH SYSTEM**  
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**NOTE 3 PATIENT SERVICE REVENUE (CONTINUED)**

**Third-Party Agreements (Continued)**

The Tax Relief and Health Care Act also included several provisions that give Medicare providers certain protections and rights. For example, overpayments identified by the RACs are subject to reconsideration and appeal through several forums.

HRHS intends to pursue the reversal of adverse determinations where appropriate; however, HRHS cannot predict the outcome of any such appeals. In addition to any overpayments identified by the RACs that are not reversed, HRHS will incur additional costs to respond to requests for records and pursue the reversal of payment denials. HRHS has established protocols to respond to RAC requests and payment denials, if any. HRHS recently received RAC requests and is in the process of responding to those requests. HRHS cannot predict the impact of the RAC reviews on its results of operations or cash flows.

HRHS has established a reserve of approximately \$1.65 million as of June 30, 2022 and 2021 for adjustments which may result from final settlement of these reports and RAC requests and is included with accrued expenses on the consolidating balance sheets.

Certain controlled affiliates of HRHS also have reimbursement agreements with certain commercial insurance carriers, health maintenance organizations (HMOs), and preferred provider organizations principally in the Mid-Atlantic region. The basis for reimbursement under these agreements includes prospectively determined rates per inpatient discharge, discounts from established charges, and other prospectively determined rates. These programs reimburse HRHS primarily at established per-case or per diem rates based on the terms of the contracts.

A summary of patient and resident service revenue and contractual adjustments for the fiscal years ended June 30, 2022 and 2021 is as follows:

	2022	2021
Patient Service Revenues:		
Third-Party Payors	\$ 338,767	\$ 343,244
Self-Pay	29,505	25,175
Total Patient Service Revenues	\$ 368,272	\$ 368,419

**HOLY REDEEMER HEALTH SYSTEM**  
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**NOTE 3 PATIENT SERVICE REVENUE (CONTINUED)**

**Concentrations of Credit Risk**

HRHS grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The composition of accounts receivable from third-party payors and individuals is as follows:

	<u>2022</u>	<u>2021</u>
Medicare and Medicaid	28 %	29 %
HMO	35	29
Self-Pay	11	10
Commercial Insurance	8	13
Blue Cross	18	18
Total	<u>100 %</u>	<u>100 %</u>

**Charity Care and Community Service**

HRHS provides services to patients who meet the criteria of the charity service policy without charge or at amounts less than established rates and provides programs for the community. Criteria for charity care conform to the provisions of the Catholic Health Association of the United States, *Social Accountability Budget, a Process for Planning and Reporting Community Service in a Time of Fiscal Constraint*.

HRHS maintains records to identify and monitor the level of charity care and community service it provides. These records include the amount of charges forgone, based on established rates, for services and supplies furnished under charity care and community services policies, the estimated cost of those services and supplies, and statistics quantifying the level of charity care and community service.

HRHS estimates its direct and indirect costs of providing charity care for each entity by either calculating a cost per chargeable unit and applying to charges forgone, a cost-to-charge ratio by comparing the per diem rate from the most recently filed cost report to the gross bill rate, or direct expenses recorded under specific cost centers.

Benefits for the poor include services provided to persons who cannot afford health care because of inadequate resources and/or who are uninsured or underinsured.

Benefits for the broader community include services provided to other needy populations that may not qualify as poor but that need special services and support. Examples include maternity assistance programs, health evaluations, and social services.

The following is a summary of the HRHS estimated charity care and community services expense for the fiscal years ended June 30, 2022 and 2021. The amounts designated as “traditional charity care” are also determined in accordance with industry guidance.

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**NOTE 3 PATIENT SERVICE REVENUE (CONTINUED)**

**Charity Care and Community Service (Continued)**

The level of charity care and uncompensated care provided is set forth below:

	<u>2022</u>	<u>2021</u>
Cost of Services Provided to Patients that Qualify for Charity Care:		
Benefits for the Poor:		
Traditional Charity Care	\$ 1,317	\$ 1,049
Unpaid Costs of Public Programs:		
Medicaid	21,886	18,365
Other	<u>101</u>	<u>16</u>
Total Quantifiable Benefits for the Poor	23,304	19,430
Benefits for the Broader Community:		
Education and Research	230	125
Negative Margin Services	<u>1,330</u>	<u>2,013</u>
Total Quantifiable Benefits for the Broader Community	1,560	2,138
Total Quantifiable Community Benefits	<u>\$ 24,864</u>	<u>\$ 21,568</u>

In addition to the summary, a loss was incurred from treating traditional Medicare patients in the Hospital of \$15,324 and \$27,742 for the fiscal years ended June 30, 2022 and 2021, respectively.

**NOTE 4 NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions that are temporary in nature are those whose use has been restricted by donors to a specific time period or purpose. Net assets with donor restrictions that are held in perpetuity have been restricted by donors to be maintained in perpetuity with investment income available for specified operating and capital purposes. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as contributions without donor restrictions in the accompanying consolidated financial statements.

Net assets with donor restrictions (subject to donor or time restrictions that are temporary in nature) as of June 30, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Patient Care, Religious, and Strategic Initiatives	\$ 10,204	\$ 13,317
Net Pledges Receivable, Primarily for Purchases of Capital	1,020	508
Total	<u>\$ 11,224</u>	<u>\$ 13,825</u>

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**NOTE 4 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)**

Pledges receivable as of June 30, 2022 and 2021 consisted of the following:

	2022	2021
Net Pledges Receivable Due in:		
Less Than One Year	\$ 665	\$ 153
One to Five Years	355	355
Total	\$ 1,020	\$ 508

The pledges committed during the current fiscal year have been discounted at approximately 6%.

Net assets with donor restrictions held in perpetuity as of June 30, 2022 and 2021 consisted of the following:

	2022	2021
Health Care Services	\$ 6,183	\$ 6,695
Education	1,580	1,493
Religious Initiatives	808	782
Total	\$ 8,571	\$ 8,970

Only the investment income derived from these net assets with donor restrictions held in perpetuity is expendable for the above purposes designated by the donor, as the original corpus has been restricted in perpetuity.

**Endowments**

HRHS's net assets with donor restrictions held in perpetuity consist of multiple individual funds established by donors for a variety of purposes, including health care services, education, and religious initiatives. HRHS follows the FASB issued guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and additional disclosures about an organization's endowment funds. HRHS operates in the Commonwealth of Pennsylvania, and is not required to adopt the provisions related to UPMIFA; however, is subject to the enhanced disclosure requirements.

HRHS's Board of Trustees follow the interpretation of Commonwealth of Pennsylvania Act 141 as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, HRHS classifies as net assets with donor restrictions held in perpetuity (a) the value of gifts donated to the permanent endowment and (b) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. This is regarded as the "historic dollar value" of the endowed fund. Any remaining unspent earnings or net appreciation of the donor-restricted endowment funds is not classified in net assets with donor restrictions held in perpetuity and is classified as net assets with donor restrictions that are temporary in nature until those amounts are appropriated for expenditure by HRHS in a manner consistent with HRHS's spending policy.

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**NOTE 4 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)**

**Endowments (Continued)**

The endowment portfolio is invested in a mutual fund that seeks to maximize long-term total return by investing in a balanced allocation of stocks, bonds, and short-term investments.

HRHS's target annual distribution from the endowment is determined during the annual budget process. HRHS also reinvests a percentage of the market value of the fund into the principal held in perpetuity, providing the investment return is greater than the reinvestment amount. This percentage is also determined during the annual budget process. The percentage reinvested in principal for each of the fiscal years ended June 30, 2022 and 2021 was 2%. In addition, the Commonwealth of Pennsylvania law permits organizations to allocate to income each year a portion of investment net gains held in perpetuity under a total return spending rate policy, not to exceed 7% of the average market value of the assets for the preceding three years. HRHS has not authorized a principal drawdown in both fiscal years 2022 and 2021. To the extent that actual income from these investments held in perpetuity is less than the predetermined amount, accumulated gains are made available for operations to fund the difference.

For consolidated financial statement purposes, any excess of accumulated gains or accumulated losses is recorded as net assets with donor restrictions that are temporary in nature. Investment return in excess of or less than the spending distribution is reported as a component of investment income that is temporary in nature.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the original gift amount maintained as net assets with donor restrictions held in perpetuity. The endowment funds had no deficiencies as of June 30, 2022 and 2021. Any deficiencies would be recorded in net assets with donor restrictions that are temporary in nature. Deficiencies may result from unfavorable market fluctuations that occur shortly after the investment of new contributions with donor restrictions that are held in perpetuity.

**HOLY REDEEMER HEALTH SYSTEM**  
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**NOTE 4 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)**

**Endowment Fund Activity**

Changes in endowment net assets for the fiscal years ended June 30, 2022 and 2021 consisted of the following:

	Temporary in Nature	Held in Perpetuity	Total
Endowment Net Assets - July 1, 2020	\$ 3,303	\$ 7,792	\$ 11,095
Investment Return	942	1,112	2,054
Contributions	-	33	33
Re-Investment in Principal	(174)	162	(12)
Appropriation of Endowment Assets for Expenditure	<u>(110)</u>	<u>(129)</u>	<u>(239)</u>
Endowment Net Assets - June 30, 2021	3,961	8,970	12,931
Investment Return	(1,473)	(230)	(1,703)
Adjustment	-	(296)	-
Contributions	-	-	-
Re-Investment in Principal	(127)	127	-
Appropriation of Endowment Assets for Expenditure	<u>-</u>	<u>-</u>	<u>-</u>
Endowment Net Assets - June 30, 2022	<u>\$ 2,361</u>	<u>\$ 8,571</u>	<u>\$ 11,228</u>

**NOTE 5 PROPERTY AND EQUIPMENT**

Property and equipment as of June 30, 2022 and 2021 consisted of the following:

	Estimated Useful Lives	2022	2021
Land and Improvements	(5 to 25 Years)	\$ 21,792	\$ 22,017
Buildings and Improvements	(5 to 40 Years)	360,092	360,125
Equipment and Furnishings	(5 to 25 Years)	133,423	156,354
Total		<u>515,307</u>	<u>538,496</u>
Less: Accumulated Depreciation and Amortization		<u>352,480</u>	<u>367,305</u>
Total		162,827	171,191
Construction in Progress		7,583	6,667
Total Property and Equipment		<u>\$ 170,410</u>	<u>\$ 177,858</u>



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**NOTE 5 PROPERTY AND EQUIPMENT (CONTINUED)**

Depreciation and amortization expense was \$23,410 and \$24,059 for the fiscal years ended June 30, 2022 and 2021, respectively. At June 30, 2022, the Construction in Progress included renovations and updates at the Corporate, Hospital, St. Joseph Manor, Holy Redeemer Lafayette, Management Corp, HR Physician Services and Redeemer Village Housing.

**NOTE 6 ASSETS LIMITED AS TO USE, INVESTMENTS, AND INVESTMENT INCOME**

Trustee Held Funds and Professional Liability Funds as of June 30, 2022 and 2021 consisted of the following:

	2022	2021
Cash and Cash Equivalents	\$ 33,978	\$ 13,722
Equity Securities	16,095	18,567
Fixed Income Securities	51,240	50,495
Equity Managed Funds, Comprised of Hedge Funds and Funds of Funds	1,558	1,798
Total	102,871	84,582
Private Equity Investments, at Cost	430	430
Total	103,301	85,012
Less: Current Portion of Trustee Held Funds	9,098	9,589
Total	<u>\$ 94,203</u>	<u>\$ 75,423</u>
	2022	2021
Trustee Held Funds, Net of Current Portion	\$ 26,559	\$ 9,268
Construction Funds	3,751	-
Professional Liability Funds	63,893	66,155
Total	<u>\$ 94,203</u>	<u>\$ 75,423</u>

Trustee Held Funds and Professional Liability Funds are maintained for the following purposes:

	2022	2021
Debt Service Fund	\$ 3,696	\$ 3,590
Debt Service Reserve Fund	24,333	7,132
Construction Fund	3,751	-
Self-Insured Workers' Compensation Fund	7,628	8,135
Professional Liability Funds	63,893	66,155
Total	<u>\$ 103,301</u>	<u>\$ 85,012</u>

**HOLY REDEEMER HEALTH SYSTEM**  
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**NOTE 6 ASSETS LIMITED AS TO USE, INVESTMENTS, AND INVESTMENT INCOME  
(CONTINUED)**

Investments as of June 30, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 3,409	\$ 12,967
Equity Securities	44,715	33,587
Fixed Income Securities	45,651	81,319
Equity Managed Funds, Comprised of Hedge Funds and Funds of Funds	50,178	58,653
Other	357	484
Total	<u>144,310</u>	<u>187,010</u>
Private Equity Investments, at Cost	13,810	14,040
Total	<u>\$ 158,120</u>	<u>\$ 201,050</u>

Investment income and gains (losses) on cash and cash equivalents, assets limited as to use, and other investments are comprised of the following:

	<u>2022</u>	<u>2021</u>
Nonoperating Gains (Losses):		
Investment Income	\$ 10,942	\$ 9,206
Net Unrealized Gains (Losses) on Trading Securities	(28,899)	2,597
Realized Gains on Sales of Investments, Net	10,945	14,637
Total	<u>\$ (7,012)</u>	<u>\$ 26,440</u>

**NOTE 7 FAIR VALUE MEASUREMENTS**

HRHS utilizes various methods of calculating the fair value of its financial assets and liabilities, when applicable. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in orderly transaction between market participants at the measurement date. Fair value measurements are applied based on the unit of account from HRHS's perspective. The unit of account determines what is being measured by reference to the level at which the asset or liability is aggregated (or disaggregated). The fair value hierarchy is comprised of three levels based on the source of inputs as follows:

*Level 1* – Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

*Level 2* – Observable inputs that are based on inputs not quoted in active markets, but corroborated by market data.

*Level 3* – Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

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**NOTE 7 FAIR VALUE MEASUREMENTS (CONTINUED)**

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. In determining fair value, HRHS uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible and considers nonperformance risk in its assessment of fair value.

The following tables present the fair value hierarchy for HRHS's financial assets measured at fair value on a recurring basis:

	2022			
	Level 1	Level 2	Level 3	Total
Cash and Cash Equivalents	\$ 68,303	\$ -	\$ -	68,303
Equity Securities	38,435	22,375	-	60,810
Fixed Income Securities	51,654	45,237	-	96,891
Equity Managed Funds				
Measured at Net Asset Value	-	51,725	11	51,736
Other Investments	-	357	-	357
Total	\$ 158,392	\$ 119,694	\$ 11	\$ 278,097
	2021			
	Level 1	Level 2	Level 3	Total
Cash and Cash Equivalents	\$ 83,740	\$ -	\$ -	83,740
Equity Securities	39,379	12,774	-	52,153
Fixed Income Securities	88,749	43,066	-	131,815
Equity Managed Funds				
Measured at Net Asset Value	-	60,440	11	60,451
Other Investments	-	484	-	484
Total	\$ 211,868	\$ 116,764	\$ 11	\$ 328,643

Cash and cash equivalents are measured at cost, which approximates fair value.

\*The adoption of ASU 2015-07 states that certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient should not be classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheets. Additionally, as of June 30, 2022 and 2021, a total of \$14,240 and \$14,470, respectively, were excluded from the provisions of the FASB fair value measurement guidance because those investments are valued based on cost.

**HOLY REDEEMER HEALTH SYSTEM**  
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**NOTE 7 FAIR VALUE MEASUREMENTS (CONTINUED)**

The following table presents the financial assets included in the consolidated balance sheet as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 30,127	\$ 56,242
Statutory Liquid Reserve	789	809
Trustee-Held Funds	35,657	18,857
Construction Funds	3,751	-
Professional Liability Funds	63,893	66,155
Investments	<u>158,120</u>	<u>201,050</u>
Total	292,337	343,113
Less: Private Equity Investments, at Cost	<u>14,240</u>	<u>14,470</u>
Total	<u><u>\$ 278,097</u></u>	<u><u>\$ 328,643</u></u>

HRHS's Level 1 securities primarily consist of U.S. treasury securities, cash, money market funds, and marketable equity mutual funds. HRHS determines the estimated fair value for its Level 1 securities using quoted (unadjusted) prices for identical assets or liabilities in active markets.

HRHS's Level 2 securities primarily consist of marketable managed equity accounts holding individual, publicly held securities. HRHS determines the estimated fair value for its Level 2 securities using the following methods: quoted prices for similar assets/liabilities in active markets, quoted prices for identical or similar assets in nonactive markets, inputs other than quoted prices that are observable for asset/liability, and inputs that are derived principally from or corroborated by other observable market data.

**NOTE 8 LONG-TERM DEBT**

Long-term debt as of June 30, 2022 and 2021 consisted of the following:

<u>Description</u>	<u>2022</u>	<u>2021</u>
Montgomery County Higher Education and Health Authority Health Care Revenue Bonds Series A of 2014 (2014 Bonds), stated rates fixed at 5.0% through 2028, mature in various years from 2019 through 2028. Includes original bond issue premium of \$1,185 and \$1,606 at June 30, 2022 and 2021, respectively.	\$ 30,570	\$ 34,775
Montgomery County Higher Education Bond Issue of 2016 (2016 Bonds) with stated rates fixed at 5.0% through October 1, 2040. Matures in various years from 2022 through 2041 and includes the original bond issue premium \$6,112 and \$6,586 at June 30, 2022 and 2021, respectively.	70,815	70,913
Subtotal Forward	101,385	105,688

**HOLY REDEEMER HEALTH SYSTEM**  
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**NOTE 8 LONG-TERM DEBT (CONTINUED)**

<u>Description (Continued)</u>	<u>2022</u>	<u>2021</u>
Subtotal Forward	\$ 101,385	\$ 105,688
Mortgage note on 821 Building dated January 29, 2010 with monthly payments of \$27, plus variable interest (2.71% at June 30, 2022) through January 2025.	724	1,046
Mortgage note on 667 Building dated January 29, 2010 with monthly payments of \$11, plus variable interest (2.71% at June 30, 2022) through January 2025.	300	434
Mortgage note on 1844 Street Road building dated December 7, 2016 with monthly payments of \$8 including interest at 4.25% through December, 2036.	989	1,038
Mortgage note on Egg Harbor Township building dated September 26, 2006 with monthly payments of \$10 including interest at a fixed rate of 4.26%. The note matures March 2027.	535	635
HUD Mortgage Payable dated August 1981, with monthly installments of \$43, including interest at 7.63% through August 2021.	-	86
HUD Mortgage Payable dated June 1983, with monthly installments of \$17, including interest at 9.25% through June 2023.	-	379
Mortgage note on Redeemer Village Housing property dated April 29, 2022 with monthly payments of \$104 including interest at 4.76% thru June 2039	22,287	-
Construction loan, secured by The Views I at Pine Valley property and refinanced in 2017 - interest rate is fixed at 3.75% with monthly payments through November 2023.	9,364	9,683
Subtotal	135,584	118,989
Plus: Unamortized Bond Premium	7,295	8,194
Less: Unamortized Debt Issuance Costs	(1,986)	(1,327)
Total Long-Term Debt	140,893	125,856
Less: Current Portion of Long-Term Debt	(5,643)	(5,495)
Total Long-Term Debt, Less Current Portion	<u>\$ 135,250</u>	<u>\$ 120,361</u>

**HOLY REDEEMER HEALTH SYSTEM**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 8 LONG-TERM DEBT (CONTINUED)**

In 2014 HRHS issued \$46,320 of new Montgomery County Higher Education and Health Authority Health Care Revenue Bonds, Series A of 2014 and used the proceeds to extinguish the remaining 1997 bonds maturing October 1, 2018 through October 1, 2027 of the Montgomery County Higher Education and Health Authority Health Care Revenue Bonds, Series A of 1997. As a result of these transactions, HRHS realized a net present value savings of \$5,943, net of transaction expenses.

The 2014 Bonds were issued to fund certain capital improvements at the facilities of HRHS, HRPS, and HRVNA (collectively, the Obligated Group). Annual mandatory sinking fund payments on the 2014 Bonds range from \$3,845 in fiscal year 2020 to \$5,780 in fiscal year 2028. The bond indenture agreement associated with the 2014 Bonds contain customary financial covenants which include maintaining or exceeding certain financial ratios, limitations on sales of assets, and limitations on additional debt. Management believes the Obligated Group is in compliance with such covenants at June 30, 2022.

In 2016 HRHS issued \$70,915 of new Montgomery County Higher Education and Health Authority Health Care Revenue Bonds, Series A of 2016 and used the proceeds to extinguish the remaining 2006 bonds maturing October 1, 2029 through October 1, 2036 of the Montgomery County Higher Education and Health Authority Health Care Revenue Bonds, Series A of 2006. As a result of these transactions, HRHS realized a net present value savings of \$5,470, net of transaction expenses.

HRHS has granted to the Master Trustee a mortgage on and security interest in HRHS's right, title and interest in the Hospital condominium unit. In addition under the Master Indenture, the current members of the Obligated Group have granted to the Mater Trustee a lien on and security in the gross receipts of such entities, as security for repayment of the Montgomery County Higher Education and Health Authority Health Care Revenue Bonds Series A of 2016 and Series A of 2014, respectively.

The Villages maintain mortgage notes payable to HUD in accordance with the provisions of Section 202 of the National Housing Act. The notes are collateralized by the rental property. The liability of the Villages under the mortgage notes is limited to the underlying value of the real estate and is classified as long-term debt on the consolidated balance sheets.

In consideration of receiving the mortgage from HUD, the Villages executed Regulatory Agreements, "Housing for the Elderly," which grants HUD the right to regulate and restrict the Villages as to rents, charges, and methods of operations, and in the event of default, to protect HUD's liability as holder of the mortgage note. Also, the Villages are required to make monthly deposits into a reserve for replacement fund. Additionally, the Villages are required to deposit any residual receipts from operations into a residual fund within 60 days of year-end. At June 30, 2022, management's calculations indicate no such amounts need to be deposited into the residual fund.

The HUD loans for the Villages were fully repaid in 2022.

**HOLY REDEEMER HEALTH SYSTEM**  
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**NOTE 8 LONG-TERM DEBT (CONTINUED)**

Redeemer Village Housing, LLC obtained a loan from the Federal Home Loan Mortgage Corporation (Freddie Mac) of \$22.3M on April 29, 2022. These proceeds will be utilized to modernize the 199 low income housing units previously owned and operated by the Villages. This Project strongly supports the Redeemer Health mission and will provide a substantially upgraded and safe environment for residents. Also, the Project includes a Solar Array which will provide power to the facility. The Solar Array adds a unique aspect to the Project and is consistent with long range environmental goals of Redeemer Health.

The Views at Pine Valley I, L.P. had a construction loan agreement (the Loan Agreement) with a bank for the purpose of financing the cost of developing a portion of The Villages at Pine Valley. In fiscal year 2017, The Views at Pine Valley I, L.P. refinanced the outstanding amount due under the construction loan, increasing the maximum amount to \$11,000 at a fixed rate of 3.75%. As of June 30, 2022 and 2021, there was \$9,364 and \$9,683, respectively, outstanding under the Loan Agreement. The Loan Agreement is secured by the related real estate, and as the bank may require, additional security agreements creating valid first liens upon the fixtures, machinery, equipment, and other property located upon the real estate. The Loan Agreement is also secured by the collateral assignment of leases, agreements, licenses, and permits affecting the real estate. HRHS has no liability for the loans or the repayment of the loans, and such liability is limited solely to The Views at Pine Valley I, L.P. and the minority shareholder.

Future maturities of all long-term debt for the next five years and thereafter are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 5,644
2023	14,581
2024	5,469
2025	5,625
2026	5,868
Thereafter	98,397
Total	<u>\$ 135,584</u>

**NOTE 9 LINES OF CREDIT**

In March 2021, HRHS renewed a line of credit agreement with a lender that permits borrowings of up to \$25,000 through May 2022. Borrowings are payable on demand and bear interest at a rate of the one-month London Interbank Offered Rate (LIBOR) rate plus 150 basis points (1.60% at June 30, 2022). The line of credit agreement also stipulates that during each one-year period, the principal balance must be reduced to and remain at \$-0- for a consecutive 30-day period. There was \$-0- outstanding under this line of credit as of June 30, 2022 and 2021.

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**NOTE 9 LINES OF CREDIT (CONTINUED)**

In August 2022, HRHS renewed the above referenced line in the amount of \$15M through July 2023. Borrowings are payable on demand and bear interest at a rate of the one-month Secured Overnight Financing Rate (SOFR) plus 160 basis points. The line of credit agreement also stipulates that during each one-year period, the principal balance must be reduced to and remain at \$-0- for a consecutive 30-day period.

Holy Redeemer Ambulatory Surgery Center, LLC has a line of credit agreement with a lender that permits borrowings of up to \$1,000. Borrowings are payable on demand and bear interest at a rate of the one-month London Interbank Offered Rate (LIBOR) plus 200 basis points (2.10% at June 30, 2022). There was no amount outstanding under this line of credit as of June 30, 2022 and 2021.

**NOTE 10 LEASES**

HRHS leases property and equipment under non-cancellable agreements. The following table presents the components of our right-of-use assets and liabilities related to leases and their classification as of June 30:

Component of Lease Balances	2022	2021
Assets:		
Right Of Use - Operating Lease Assets	\$ 25,308	\$ 24,119
Finance Lease Assets	3,091	4,400
Total Leased Assets	28,399	28,519
Liabilities:		
Operating Lease Liabilities:		
Current	3,330	2,221
Long-Term	21,976	21,898
Total Operating Lease Liabilities	25,306	24,119
Finance Lease Liabilities:		
Current	1,306	1,709
Long Term	1,785	3,091
Total Finance Lease Liabilities	3,091	4,800
Total Lease Liabilities	\$ 28,397	\$ 28,919

HRHS's operating leases are primarily for real estate, including off-campus outpatient facilities, medical office buildings and corporate and other administrative offices, as well as medical and office equipment. HRHS's finance leases consist of a real estate lease and several medical equipment leases. Real estate lease agreements typically have initial terms of five to ten years and equipment lease agreements typically have initial terms of three-years. Leases with an initial term of 12 months or less ("short-term leases") are not recorded in the consolidated balance sheets.



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**NOTE 10 LEASES (CONTINUED)**

Future maturities of lease liabilities at June 30, 2022 are presented in the following table:

<u>Year Ending June 30,</u>	<u>Operating Lease Payments</u>	<u>Finance Lease Payments</u>	<u>Total</u>
2023	\$ 4,104	\$ 1,377	\$ 5,481
2024	3,989	1,034	5,023
2025	3,734	796	4,530
2026	3,513	-	3,513
2027	2,624	-	2,624
Fiscal Years Thereafter	10,686	-	10,686
Total Lease Payments	28,650	3,207	31,857
Less: Imputed Interest	(3,344)	(116)	(3,460)
Total Lease Obligations	25,306	3,091	28,397
Less Current Obligations	(3,330)	(1,306)	(4,636)
Long-Term Lease Obligations	<u>\$ 21,976</u>	<u>\$ 1,785</u>	<u>\$ 23,761</u>

**NOTE 11 FUNCTIONAL EXPENSES**

HRHS provides general patient and resident care to its patients and residents within its geographic region. HRHS considers all patient and resident care services as their major programs. All categories of expenses that are not directly related to HRHS's program are allocated to one or more general and administrative or fundraising and development functions based on estimates of time and effort involved. Expenses related to providing these services are as follows:

	2022			Total
	<u>Patient and Resident Care</u>	<u>General and Administrative</u>	<u>Fundraising and Development</u>	
Salaries and Wages	\$ 190,816	\$ 30,511	\$ 466	\$ 221,793
Employee Benefits	27,377	3,181	98	30,656
Purchased Services	63,136	12,000	463	75,599
General Expense	17,837	19,212	578	37,627
Supplies	48,895	2,530	76	51,501
Insurance	6,444	3,411	3	9,858
Depreciation and Amortization	9,753	13,650	7	23,410
Interest Expense	4,204	1,053	-	5,257
Total Functional Expenses	<u>\$ 368,462</u>	<u>\$ 85,548</u>	<u>\$ 1,691</u>	<u>\$ 455,701</u>

**HOLY REDEEMER HEALTH SYSTEM**  
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**NOTE 11 FUNCTIONAL EXPENSES (CONTINUED)**

	2021			
	Patient and Resident Care	General and Administrative	Fundraising and Development	Total
Salaries and Wages	\$ 187,656	\$ 27,909	\$ 483	\$ 216,048
Employee Benefits	34,607	5,016	134	39,757
Purchased Services	49,527	19,255	394	69,176
General Expense	25,247	11,973	832	38,052
Supplies	48,234	2,235	67	50,536
Insurance	10,898	882	13	11,793
Depreciation and Amortization	19,230	4,818	11	24,059
Interest Expense	4,415	893	-	5,308
Total Functional Expenses	\$ 379,814	\$ 72,981	\$ 1,934	\$ 454,729

**NOTE 12 PENSION PLANS**

Certain of the subsidiaries of HRHS participate in the Retirement Plan for Employees of HRHS, (the Pension Plan), a noncontributory, defined benefit pension plan, which covers substantially all employees within these entities. Effective January 1, 1999, the Plan was converted to an account balance plan. Accrued benefits as of December 31, 1998 were converted to an account balance for all Pension Plan participants. Future additions to the account balances will be made based on age and compensation. This component of the Pension Plan change was approved by the Internal Revenue Service in July 2007.

The Pension Plan has received favorable determination for church plan status and, as such, is not subject to certain reporting requirements under the Employee Retirement Income Security Act of 1974 (ERISA).

The Pension Plan was amended effective January 1, 2009 to comply with regulations of Section 403(b) of the Internal Revenue Code effective January 1, 2009. The plan amendments include increases in plan credits, elimination of interest credits for terminated employees, elimination of 403(b) match, and freeze of accruals under the pre-1999 benefit formula.

In September, 2017, an amendment to the noncontributory defined benefit plan was approved. That amendment served to freeze balance credits in the plan as of December 31, 2017 and no pay credits will be earned into the respective employee's cash balance accounts after that date. No new members will be added to this plan after December 31, 2017. Employees that remain employed with the system will continue to get an annual interest credit that is based on the one-year treasury bill rate plus 50 basis points. HRHS sponsors a tax deferred savings plan which operates under the provisions of Internal Revenue Code 403(b) (403(b) Plan). Beginning January 1, 2018, employees will earn a match based on their contributions and their years of service. Employees that do not participate in the 403(b) Plan will not receive any employer paid retirement benefits. Match expenses included in the accompanying consolidated statement of operations was \$2,752 and \$2,765 in 2022 and 2021, respectively.

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**NOTE 12 PENSION PLANS (CONTINUED)**

The following tables summarize information about the Pension Plan as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Change in Benefit Obligation:		
Projected Benefit Obligation - Beginning of Year	\$ 168,494	\$ 176,319
Interest Cost	3,323	3,505
Actuarial (Gain) Loss	(29,299)	(1,684)
Benefits and Administrative Expenses Paid	(9,994)	(9,648)
Projected Benefit Obligation - End of Year	<u>\$ 132,524</u>	<u>\$ 168,492</u>
Curtailments		
Change in Plan Assets:		
Fair Value of Plan Assets - Beginning of Year	\$ 119,714	\$ 113,451
Actual Return on Plan Assets	(3,535)	15,909
Benefits and Administrative Expenses Paid	(9,994)	(9,648)
Fair Value of Plan Assets - End of Year	<u>\$ 106,185</u>	<u>\$ 119,712</u>
Accrued Benefit Cost	<u>\$ (26,339)</u>	<u>\$ (48,780)</u>
Accumulated Benefit Obligation - End of Year	<u>\$ 132,524</u>	<u>\$ 168,492</u>
Amounts Recognized in Consolidated Balance Sheet consists of:		
Pension Liability	<u>\$ (26,339)</u>	<u>\$ (48,780)</u>
Amounts Recognized in Accumulated Net Assets Without Donor Restrictions Consist of:		
Net Actuarial Loss	<u>\$ 48,246</u>	<u>\$ 68,073</u>
Total	<u>\$ 48,246</u>	<u>\$ 68,073</u>
	<u>2022</u>	<u>2021</u>
Components of Net Periodic Pension Cost:		
Interest Cost	\$ 3,323	\$ 3,505
Expected Return on Plan Assets	(7,832)	(7,382)
Recognized Net Actuarial Loss	1,895	2,234
Net Periodic Pension Cost	<u>(2,614)</u>	<u>(1,643)</u>
Other Changes in Pension Liability Recognized in Net Assets Without Donor Restrictions:		
Current-Year Actuarial (Gain) Loss	(17,933)	(10,211)
Amortization of Loss	(1,895)	(2,234)
Total	<u>(19,828)</u>	<u>(12,445)</u>
Total Recognized in Net Benefit Cost and Net Assets Without Donor Restrictions	<u>\$ (22,442)</u>	<u>\$ (14,088)</u>

**HOLY REDEEMER HEALTH SYSTEM**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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*(In Thousands)*

**NOTE 12 PENSION PLANS (CONTINUED)**

The estimated net actuarial loss and the prior service cost that will be amortized from other changes in net assets without donor restrictions into net periodic pension cost over the next fiscal year are \$1,895 and \$2,234, respectively.

The actuarial present value of benefits was determined using the following assumptions:

	<u>2022</u>	<u>2021</u>
Assumptions:		
Weighted-Average Assumptions Used to Determine Pension Obligation at June 30:		
Discount Rate	5.01%	2.83%
Rate of Compensation Increase		N/A
Weighted-Average Assumptions Used to Determine Net Periodic Pension Cost for the Year Ended June 30:		
Discount Rate	2.83%	2.82%
Rate of Compensation Increase	N/A	N/A
Expected Return on the Plan Assets	7.00%	7.00%

The expected rate of return is based on historical performance of the investment portfolio.

The weighted-average plan asset allocations by asset category as of June 30, 2022 and 2021 consisted of the following:

<u>Asset Category</u>	<u>Target Asset Allocation</u>	<u>2022</u>	<u>2021</u>
Cash	- %	3 %	1 %
Fixed Income	20	-	-
Equity Securities	23	55	57
Equity Managed Funds	45	31	28
Private Equity	12	11	14
Total	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>

**HOLY REDEEMER HEALTH SYSTEM**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 12 PENSION PLANS (CONTINUED)**

The portfolio is widely diversified among a mix of assets including large and small cap, domestic and foreign equities, fixed income, alternative investments, and cash. Asset mix is targeted to a specific allocation, either intermediate or long-term, that was determined by examining expected return, standard deviation, and correlations of various assets against the Pension Plan's long-term objectives. Performance is monitored quarterly and rebalanced back to target if asset classes exceed explicit ranges. The investment policy describes which securities are allowed in the portfolios, and outlines specific benchmarks and performance percentiles with which the Stewardship and Partnership Workgroup of the Board of Trustees, which oversees the pension investment program, will monitor investment performance. Risk is closely monitored through examination of portfolio holdings and tracking portfolio beta and standard deviation.

The following tables present the fair value hierarchy for the Pension Plan assets measured at fair value on a recurring basis as of June 30, 2022 and 2021:

	2022			
	Level 1	Level 2	Level 3	Total
Cash and Cash Equivalents	\$ 3,518	\$ -	\$ -	\$ 3,518
Equity Securities	5,353	2,364	-	7,717
Fixed Income Securities	17,168	-	-	17,168
Equity Managed Funds, Comprised of Hedge Funds and Funds of Funds Measured at Net Asset Value	-	59,924	17,858	77,782
Total	<u>\$ 26,039</u>	<u>\$ 62,288</u>	<u>\$ 17,858</u>	<u>\$ 106,185</u>
	2021			
	Level 1	Level 2	Level 3	Total
Cash and Cash Equivalents	\$ 4,972	\$ -	\$ -	\$ 4,972 *
Equity Securities	3,185	213	-	3,398
Fixed Income Securities	16,983	-	-	16,983
Equity Managed Funds, Comprised of Hedge Funds and Funds of Funds Measured at Net Asset Value	-	79,234	15,125	94,359 *
Total	<u>\$ 25,140</u>	<u>\$ 79,447</u>	<u>\$ 15,125</u>	<u>\$ 119,712</u>

Cash and cash equivalents are measured at cost, which approximates fair value.

\*The adoption of ASU 2015-07 states that certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient should not be classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheets.

**HOLY REDEEMER HEALTH SYSTEM**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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*(In Thousands)*

**NOTE 12 PENSION PLANS (CONTINUED)**

The Pension Plan's Level 1 securities primarily consist of U.S. treasury securities, cash, money market funds, and marketable equity mutual funds. HRHS determines the estimated fair value for the Pension Plan's Level 1 securities using quoted (unadjusted) prices for identical assets or liabilities in active markets.

The Pension Plan's Level 2 securities primarily consist of marketable managed equity accounts holding individual, publicly held securities. HRHS determines the estimated fair value for the Pension Plan's Level 2 securities using the following methods: quoted prices for similar assets/liabilities in active markets, quoted prices for identical or similar assets in nonactive markets, inputs other than quoted prices that are observable for asset/liability, and inputs that are derived principally from or corroborated by other observable market data.

Expected contributions to the Pension Plan in the fiscal year beginning July 1, 2022 are expected to be \$-0-.

A summary of benefit payments, which reflect expected future services that are expected to be paid to participants in the Pension Plan during the next five fiscal years and the five fiscal years thereafter, is as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 16,437
2023	9,586
2024	9,770
2025	9,548
2026	9,169
Five Fiscal Years Thereafter	<u>45,250</u>
Total	<u><u>\$ 99,760</u></u>

Effective in 2000, the VNSS organizations instituted a discretionary contribution 401(k) plan, covering all full-time employees of VNSS and its affiliates, that complies with ERISA. The plan was frozen on October 10, 2005. No pension expense was recognized related to the plan for the fiscal years ended June 30, 2022 and 2021.

VNA Home Care of Mercer County contributes to a pension plan covering substantially all of the full-time union employees. This plan is maintained by the union. Contributions and costs are determined in accordance with the union contract and are equal to a fixed amount per employee per year, regardless of salary, and totaled \$45 and \$56 for the years ended June 30, 2022 and 2021, respectively.

An amendment was made to the Retirement Plan for Employees of HRHS (the Plan) to include in the Plan nonunion employees of VNA Home Care of Mercer County, Inc. The Plan is the noncontributory, defined benefit pension plan offered to other Health System employees. The inclusion of the VNA Home Care of Mercer County, Inc. employees was made retroactive to July 1, 2012.

**HOLY REDEEMER HEALTH SYSTEM**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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*(In Thousands)*

**NOTE 12 PENSION PLANS (CONTINUED)**

Effective January 2013, HRHS offers a defined contribution plan to eligible physicians. All eligible physicians were given a one-time option of moving to the defined contribution plan or remaining in the HRHS defined benefit plan. All physicians hired January 1, 2013 and later are automatically placed in the defined contribution plan.

At the end of each year that the physician works at least 1,000 hours, HRHS credits to the Plan account an amount equal to a percentage of annual pay, subject to IRS limitations. The size of the credit depends on the physician's years of service as of January 1 of the year the credit is made. Physicians with fewer than five years of service receive a 4.5% credit while physicians with five years or more of service receive 5.5%.

Physicians vest or earn a right to the benefit accrued in his or her defined contribution account when he or she has completed five or more calendar years of vesting service while working for HRHS. Employees complete a year of vesting service for each year in which they have worked at least 1,000 hours during that plan year.

The defined contribution plan also includes a profit sharing component for certain eligible physicians. The profit sharing is based partially on financial measures in the physician's individual practice or business unit and partially on goals applicable to HRHS. Profit sharing contributions are not guaranteed and are subject to the achievement of the goals outlined. Contributions to this Plan were \$-0- for each of the years ended June 30, 2022 and 2021. Pension cost charged to HRPS and included in the accompanying consolidated statements of operations was \$-0- for each of the years ended June 30, 2022 and 2021, respectively. Physicians' pension expense and funding are not included in the Pension Plan table presented above.

Effective December 31, 2017, the physician defined contribution Pension Plan was terminated. Physicians in that plan will be eligible to earn a match based on their contributions and years of service in the 403 (b) Plan.

**NOTE 13 INSURANCE**

In the ordinary course of business, various claimants have asserted professional and general liability claims against HRHS. These claims are in various stages of processing or, in certain instances, are in litigation. In addition, there are known incidents, and there also may be unknown incidents, that may result in the assertion of additional claims. HRHS has accrued an estimate of both asserted and unasserted claims based on actuarially determined amounts.

**HOLY REDEEMER HEALTH SYSTEM**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**  
*(In Thousands)*

**NOTE 13 INSURANCE (CONTINUED)**

HRHS retains risk for \$500 per claim with a maximum annual aggregate limit of \$2.5 million with the exception of a \$1.5 million maximum annual aggregate for each physician for medical malpractice liability claims coverage. The program is operated through THR, a wholly owned consolidated subsidiary. The loss accruals for the retained risk were discounted at a rate of 3.0%; include estimates of known and potentially known losses based on annual actuarial studies. HRHS obtains excess coverage from the Medical Care Availability and Reduction of Error Fund (MCARE Fund) and other commercial carriers.

Prior to July 1, 2005, HRHS was insured for medical malpractice liability under a combination of primary and excess insurance policies on a claims-made basis and the MCARE Fund of the Commonwealth of Pennsylvania.

The MCARE Act was enacted by the Pennsylvania legislature in 2002. The Act created the MCARE Fund, which replaced the Pennsylvania Medical Professional Liability Catastrophe Loss Fund (CAT Fund) as the state-mandated funding mechanism for the payment of medical malpractice claims exceeding the primary layer of professional liability insurance carried by the Hospital and other health care providers practicing in the state. The MCARE Fund is funded on a "pay as you go basis." The MCARE Fund levies health care provider (surcharges) assessments, calculated as a percentage of the premiums established by the Joint Underwriting Association (also a Commonwealth of Pennsylvania agency) for basic coverage, to pay claims and administrative expenses on behalf of MCARE Fund participants. The MCARE Act legislation provides for the gradual phase-out of MCARE Fund coverage; however, this has been recently deferred by the Pennsylvania legislation and will be considered in the future.

The actuarially computed liability for all health care providers (hospital, physicians, and others) participating in the MCARE Fund at December 31, 2020 (the latest date for which such information is available), was \$1.056 billion. Current law provides that the unfunded liability will likely be funded through assessments in future years as MCARE Fund-covered claims are eventually settled and paid.

HRHS's annual premiums for participation in the MCARE Fund were \$1,062 and \$1,076 for the fiscal years ended June 30, 2022 and 2021, respectively. No provision has been made for any future MCARE Fund assessments in the accompanying consolidated financial statements as HRHS's portion of the MCARE Fund unfunded liability cannot be reasonably estimated.

Premiums are based primarily on actuarial reports, claims experience, and insurance risk factors. The consolidated financial statements include a provision for unasserted medical malpractice claims, which have been estimated, based on HRHS's past experience.



**HOLY REDEEMER HEALTH SYSTEM**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**  
*(In Thousands)*

**NOTE 13 INSURANCE (CONTINUED)**

HRHS is insured for workers' compensation through the combination of commercial and self-insurance programs. HRHS records actuarially determined estimated losses arising from both asserted and unasserted claims. HRHS has established trust funds for the payment of claims under its self-insurance program. The assets of the trust funds are included in the accompanying consolidated balance sheets as assets limited as to use. Additionally, HRHS had letters of credit securing workers' compensation obligations as required by state laws totaling \$10,400 as of June 30, 2022 and 2021.

**NOTE 14 NONCONTROLLING INTERESTS**

The following table presents HRHS's changes in net assets attributed to the noncontrolling interests of HRHS and HRPS, related to the entities of ASC, HRARL, HRARL, Inc., HRHC – North, IWA, PGC, LLC, PGC, PC, OSRA and Redeemer Village Housing, within net assets without donor restrictions for the fiscal years ended June 30, 2022 and 2021:

	<u>Consolidated</u>	<u>Parent Interests</u>	<u>Noncontrolling Interests</u>
Net Assets Without Donor Restrictions - July 1, 2021	\$ 180,439	\$ 185,430	\$ (4,991)
Excess of Revenues and Gains Over Expenses and Losses	19,359	17,692	1,667
Equity Transfers	9	8	1
Other Changes in Net Assets	(246)	(246)	-
Other Changes in Pension Liability	12,544	12,544	-
Distributions	<u>(2,457)</u>	<u>(991)</u>	<u>(1,466)</u>
Change in Net Assets Without Donor Restrictions	<u>29,209</u>	<u>29,007</u>	<u>202</u>
Net Assets Without Donor Restrictions - June 30, 2021	209,648	214,437	(4,789)
Excess of Revenues and Gains Over Expenses and Losses	(32,657)	(32,954)	297
Equity Transfers	1,486	842	644
Other Changes in Net Assets	5,345	527	4,818
Other Changes in Pension Liability	19,828	19,828	-
Distributions	<u>(2,691)</u>	<u>(1,161)</u>	<u>(1,530)</u>
Change in Net Assets Without Donor Restrictions	<u>(8,689)</u>	<u>(12,918)</u>	<u>4,229</u>
Net Assets Without Donor Restrictions - June 30, 2022	<u>\$ 200,959</u>	<u>\$ 201,519</u>	<u>\$ (560)</u>

**HOLY REDEEMER HEALTH SYSTEM**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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*(In Thousands)*

**NOTE 15 COVID-19 FUNDING**

Due to the Coronavirus pandemic, the U.S. Department of Health and Human Services (HHS) made available emergency relief grant funds to health care providers through the Coronavirus Aid, Relief, and Economic Security (CARES) Act Provider Relief Fund (PRF). Total grant funds approved and received by HRHS for the years ended June 30, 2022 and 2021 was \$16,263 and \$28,843, respectively. The PRF's are subject to certain restrictions on eligible expenses or uses, reporting requirements, and will be subject to audit. At June 30, 2022 and 2021, HRHS recognized \$16,263 and \$36,486, respectively, as other operating revenues in the consolidated statement of operations and changes in net assets and \$350 and \$569, respectively, as Refundable Advances on the consolidated balance sheet with the long-term liabilities.

In April of 2020, HRHS received \$41,209 of Medicare Advances from the CARES act to support health care related expenses or lost revenue attributable to the Coronavirus. Beginning in April 2021, Medicare started to apply these advances against current claims. The balance as of June 30, 2022 and 2021 is \$6,411 and \$35,326, respectively. These amounts are with third party advances on the consolidated balance sheets.

During the years ended June 30, 2022 and 2021, HRHS received proceeds in the amount of \$-0- and \$8,395, respectively, to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the "PPP Loan"). The PPP Loan may be forgiven by the U.S. Small Business Administration (SBA) subject to certain performance barriers, as outlined in the loan agreement and the CARES Act. attributable to. The amount not formally forgiven is included on the balance sheet with the short-term Line of Credit.

During the years ended June 30, 2022 and 2021, HRHS was approved for PPP loan forgiveness in the amounts of \$8,396 and \$2,154, respectively. The organization recognized these amounts as other operating revenue on the consolidated statements of operations and changes in net assets for the years ended June 30, 2022 and 2021.

**NOTE 16 COMMITMENTS AND CONTINGENCIES**

In the normal course of business, there could be various outstanding contingent liabilities such as, but not limited to, the following:

- Lawsuits alleging negligence in care
- Environmental pollution
- Violation of regulatory body's rules and regulations
- Violation of federal and/or state laws

No contingent liabilities such as, but not limited to those described above, are reflected in the accompanying consolidated financial statements. No such liabilities have been asserted and, therefore, no estimate of loss, if any, is determinable.

**HOLY REDEEMER HEALTH SYSTEM  
CONSOLIDATING BALANCE SHEET  
JUNE 30, 2022  
(In Thousands)  
(SEE INDEPENDENT AUDITORS' REPORT)**

ASSETS	HRHS	Physician Services	Eliminations and Adjustments		Cancer Ctr Phy Network	HRVNA	THR	Management Corp.	Dreeding	Redeemer Village	Redeemer Village II	VNHS	HRHC	HR Hospice	VNA Mercer	ASC	OSRA	PGC, LLC	PGC PC	Little Flower	HRDZ Homes	HRARL	HRARL, Inc.	IWA	Redeemer VII Housing	Redeemer Hth Foundation	JV Doylestown Cardiology	Eliminations and Adjustments		Total				
			Obligated Group	Total Obligated Group																														
<b>CURRENT ASSETS</b>																																		
Cash and Cash Equivalents	\$ 2,446	\$ 526	\$ -	\$ 2,972	\$ -	\$ 804	\$ 6	\$ 1,473	\$ 713	\$ 813	\$ 2	\$ 40	\$ -	\$ 239	\$ 37	\$ 1,614	\$ 273	\$ -	\$ 174	\$ 2,957	\$ 992	\$ 3,006	\$ 7	\$ 11,532	\$ 49	\$ 2,424	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,127
Current Portion of Trustee-Held Funds	7,641	-	-	7,641	-	1,457	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9,098	
Statutory Liquid Reserve	107	-	-	107	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	789		
Patient Accounts Receivable, Net	29,637	2,327	-	31,964	152	1,204	-	-	-	-	1,448	1,658	153	357	827	320	-	225	800	2	122	-	-	-	-	-	-	-	-	-	-	39,232		
Other Current Assets	9,144	788	-	9,930	-	7	498	872	244	434	33	52	3	62	450	166	5	-	-	253	74	125	-	430	491	-	-	-	-	(506)	13,623			
Due from Affiliates	154,665	-	(107,080)	47,585	-	32,145	-	-	1,921	-	8	-	-	-	-	-	-	100	-	-	-	-	-	-	-	-	-	-	-	-	(81,759)	-		
<b>Total Current Assets</b>	<b>203,640</b>	<b>3,639</b>	<b>(107,080)</b>	<b>100,199</b>	<b>152</b>	<b>35,617</b>	<b>504</b>	<b>2,345</b>	<b>2,878</b>	<b>1,247</b>	<b>43</b>	<b>1,540</b>	<b>1,658</b>	<b>395</b>	<b>456</b>	<b>2,891</b>	<b>759</b>	<b>105</b>	<b>399</b>	<b>4,010</b>	<b>1,068</b>	<b>3,935</b>	<b>7</b>	<b>11,962</b>	<b>540</b>	<b>2,424</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(82,265)</b>	<b>92,869</b>			
<b>ASSETS LIMITED AS TO USE</b>																																		
Trustee-Held Funds, Net of Current Portion	8,056	-	-	8,056	-	1,108	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	17,395	-	26,559
Construction Funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,751	-	3,751	
Professional Liability Funds	-	-	-	-	-	-	-	-	63,893	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	63,893	-	
<b>Total Assets Limited as to Use</b>	<b>8,056</b>	<b>-</b>	<b>-</b>	<b>8,056</b>	<b>-</b>	<b>1,108</b>	<b>-</b>	<b>-</b>	<b>63,893</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>21,146</b>	<b>-</b>	<b>94,203</b>	
<b>PROPERTY AND EQUIPMENT, NET</b>	<b>121,912</b>	<b>13,399</b>	<b>-</b>	<b>135,311</b>	<b>-</b>	<b>931</b>	<b>-</b>	<b>15,776</b>	<b>955</b>	<b>-</b>	<b>-</b>	<b>1,038</b>	<b>166</b>	<b>27</b>	<b>289</b>	<b>932</b>	<b>333</b>	<b>-</b>	<b>-</b>	<b>2,708</b>	<b>699</b>	<b>7,609</b>	<b>750</b>	<b>-</b>	<b>15,682</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(12,796)</b>	<b>\$ 170,410</b>			
<b>OTHER ASSETS</b>																																		
Investments	132,352	-	-	132,352	-	13,884	-	4,550	3,892	8	8	644	-	4,056	-	-	-	-	-	1,522	-	-	-	-	-	-	-	-	-	-	(2,796)	\$ 158,120		
Right-Of-Use Assets - Operating Leases	5,773	18,404	-	24,177	-	196	-	-	-	-	-	-	-	180	-	765	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	25,308		
Other	5,931	(905)	-	4,726	-	77	1,573	57	1	12,253	-	-	-	-	-	-	-	527	-	-	22	-	-	-	-	-	-	-	-	-	(11,250)	7,886		
Due from Affiliates	-	3,088	-	3,088	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,088)	-		
<b>Total Other Assets</b>	<b>143,756</b>	<b>20,587</b>	<b>-</b>	<b>164,343</b>	<b>-</b>	<b>14,147</b>	<b>1,573</b>	<b>4,607</b>	<b>3,893</b>	<b>12,261</b>	<b>8</b>	<b>644</b>	<b>180</b>	<b>4,056</b>	<b>765</b>	<b>-</b>	<b>527</b>	<b>-</b>	<b>-</b>	<b>1,522</b>	<b>22</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(17,134)</b>	<b>191,414</b>			
<b>Total Assets</b>	<b>\$ 477,984</b>	<b>\$ 37,665</b>	<b>\$ (107,080)</b>	<b>\$ 407,909</b>	<b>\$ 152</b>	<b>\$ 51,603</b>	<b>\$ 65,970</b>	<b>\$ 22,728</b>	<b>\$ 7,776</b>	<b>\$ 13,508</b>	<b>\$ 51</b>	<b>\$ 3,222</b>	<b>\$ 7,004</b>	<b>\$ 4,472</b>	<b>\$ 1,610</b>	<b>\$ 3,623</b>	<b>\$ 1,618</b>	<b>\$ 105</b>	<b>\$ 395</b>	<b>\$ 8,280</b>	<b>\$ 1,789</b>	<b>\$ 11,541</b>	<b>\$ 757</b>	<b>\$ 11,962</b>	<b>\$ 37,388</b>	<b>\$ 2,424</b>	<b>\$ -</b>	<b>\$ (117,185)</b>	<b>\$ 548,899</b>					

**HOLY REDEEMER HEALTH SYSTEM  
CONSOLIDATING BALANCE SHEET (CONTINUED)  
JUNE 30, 2022  
(In Thousands)  
(SEE INDEPENDENT AUDITORS' REPORT)**

	HRHS	Physician Services	Eliminations and Adjustments Obligated Group	Total Obligated Group	Cancer Ctr Pky Network	HRVNA	THR	Management Corp.	Drueding	Redeemer Village	Redeemer Village II	VNHS	HRHC	HR Hospice	VNA Mercer	ASC	OSRA	PGC LLC	PGC PC	Little Flower	HRDZ Homes	HRARL	HRARL Inc.	IWA	Redeemer VII Housing	Redeemer Hth Foundation	JV Doylestown Cardiology	Eliminations and Adjustments	Total		
<b>LIABILITIES AND NET ASSETS</b>																															
<b>CURRENT LIABILITIES</b>																															
Lines of Credit, Paycheck Protection Program Loans	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	3,134	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	
Current Portion of Capital Leases		931	375	-	1,306	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Current Portion of Long-Term Debt		4,450	75	-	4,525	104	-	506	-	-	-	-	-	-	-	-	-	-	-	-	-	332	-	-	176	-	-	-	-		
Current Portion of Lease Liabilities - Operating Leases		1,309	1,685	-	2,994	105	-	-	-	-	-	-	54	-	177	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Accounts Payable		15,992	959	-	16,951	39	-	-	21	3	-	46	16	31	18	409	1,036	-	-	317	13	38	-	63	10	-	-	-	-		
Accrued Expenses, Principally Salaries and Benefits		38,465	3,789	-	42,254	198	1,575	64	578	183	5	54	633	844	299	284	126	706	-	146	1,347	54	76	23	11,006	211	149	1,176	-		
Current Portion of Self-Insurance and Other Liabilities		7,080	31	-	7,111	49	-	-	-	-	-	35	6	247	61	-	-	-	-	433	-	-	-	-	-	-	-	-	-		
Current Portion of Third-Party Advances Due to Affiliates		6,411	-	-	6,411	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Total Current Liabilities		74,638	113,994	(107,080)	81,552	454	1,872	49,588	1,273	184	213	54	6,274	2,126	2,216	15,048	947	5,331	-	167	2,197	873	646	1,031	14,793	815	182	1,176	(82,264)	105,614	
<b>LONG-TERM LIABILITIES</b>																															
Long-Term Capital Leases, Net of Current Portion		1,102	683	-	1,785	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,785	
Long-Term Debt, Net of Current Portion		102,702	442	-	103,144	430	-	1,496	-	-	-	-	-	-	-	-	-	-	-	-	-	9,016	-	-	21,164	-	-	-	-	135,250	
Long-Term Lease Liabilities - Operating Leases, Net of Current Portion		4,464	16,720	-	21,184	81	-	-	-	-	-	-	123	-	588	-	-	-	-	-	-	-	-	-	-	-	-	-	-	21,976	
Third-Party Advances, Net of Current Portion		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Refundable Advances		350	-	-	350	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	350	
Pension Liability		26,339	-	-	26,339	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	26,339	
Self-Insurance Liabilities		6,329	508	-	6,837	(406)	14,882	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	11,341	-	-	-	-	(11,250)	21,404	
Other Liabilities		4,452	-	-	4,452	-	-	-	-	-	-	-	2	-	33	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,457	
Deferred and Refundable Entry Fees, Net		516	-	-	516	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10,439	-	-	-	-	10,955		
Total Long-Term Liabilities		146,254	18,353	-	164,607	105	14,882	1,496	-	-	-	-	125	-	621	-	-	-	-	-	-	-	-	19,455	-	32,505	-	-	(11,250)	222,546	
Total Liabilities		220,892	132,347	(107,080)	246,159	454	1,977	64,470	2,769	184	213	54	6,274	2,251	2,216	15,669	947	5,331	-	167	2,197	873	646	1,031	14,793	33,320	182	1,176	(96,648)	328,160	
<b>NET ASSETS (DEFICIT)</b>																															
Without Donor Restrictions:																															
Unrestricted		246,414	(84,722)	-	151,692	(302)	48,099	1,500	19,959	6,288	13,295	(3)	(5,141)	(268)	(1,549)	(14,218)	1,161	(2,598)	54	232	6,043	401	(4,365)	(140)	(2,462)	-	572	(1,176)	(15,555)	201,519	
Noncontrolling Interests		-	-	-	-	-	-	-	-	-	-	-	(565)	-	-	-	1,715	(1,114)	51	-	-	-	(4,192)	(134)	(369)	4,048	-	-	-	(560)	
Total Without Donor Restrictions		246,414	(84,722)	-	151,692	(302)	48,099	1,500	19,959	6,288	13,295	(3)	(5,706)	(268)	(1,549)	(14,218)	2,876	(3,712)	105	232	6,043	401	(8,557)	(274)	(2,831)	4,048	572	(1,176)	(15,555)	200,959	
With Donor Restrictions		10,059	-	-	10,059	-	1,727	-	-	1,254	-	-	654	21	3,811	59	-	-	-	-	-	-	515	-	-	1,670	-	-	-	8	19,777
Total Net Assets (Deficit)		256,472	(84,722)	-	161,750	(302)	49,826	1,500	19,959	7,542	13,295	(3)	(5,052)	(247)	2,262	(14,159)	2,876	(3,712)	105	232	6,043	916	(8,557)	(274)	(2,831)	4,048	2,242	(1,176)	(15,547)	220,736	
Total Liabilities and Net Assets (Deficit)		\$ 477,364	\$ 37,825	\$ (107,080)	\$ 407,909	\$ 152	\$ 51,803	\$ 65,970	\$ 22,728	\$ 7,726	\$ 13,508	\$ 51	\$ 3,222	\$ 2,004	\$ 4,478	\$ 1,610	\$ 3,823	\$ 1,619	\$ 105	\$ 399	\$ 8,240	\$ 1,789	\$ 11,544	\$ 757	\$ 11,962	\$ 37,368	\$ 2,424	\$ -	\$ (112,195)	\$ 548,896	

**HOLY REDEEMER HEALTH SYSTEM**  
**CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2022**  
*(In Thousands)*  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	Eliminations and Adjustments		Total Obligated Group	Cancer Ctr										Other										Eliminations and Adjustments		Total			
	Physician Services	Obligated Group		Phys Network	HRVNA	THR	Management Corp.	Druiding	Redeemer Village	Redeemer Village II	VNHS	HRHC	HR Hospice	VNA Mercer	ASC	OSRA	PGC, LLC	PGC, PC	Life Flower	HRQZ Homes	HRARL	HRARL, Inc.	IWA	Redeemer VII Housing	Redeemer Htn Foundation		JV Day/esthm Cardiology	Adjustments	
<b>REVENUES</b>																													
Patient Service Revenues	\$ 252,076	\$ 39,715	\$ -	\$ 291,791	\$ 152	\$ 18,629	\$ -	\$ -	\$ -	\$ -	\$ 11,370	\$ 11,863	\$ 2,328	\$ 3,354	\$ 10,133	\$ 6,519	\$ -	\$ 1,544	\$ 10,589	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 368,272	
Other Operating Revenue	95,610	15,885	(65,519)	45,976	-	3,417	2,434	3,568	2,301	1,314	458	2,532	2,210	863	36	89	1,607	35	1,228	1,464	2,283	13,742	494	190	-	-	58,263		
Net Assets Released from Restrictions Used for Operations	3,379	-	-	3,379	-	-	-	-	332	-	-	-	-	-	-	-	-	-	-	-	(62)	100	-	180	-	-	3,909		
<b>Total Revenues</b>	<b>351,065</b>	<b>55,600</b>	<b>(65,519)</b>	<b>341,146</b>	<b>152</b>	<b>22,046</b>	<b>2,434</b>	<b>3,568</b>	<b>2,633</b>	<b>1,314</b>	<b>458</b>	<b>13,902</b>	<b>14,073</b>	<b>2,778</b>	<b>4,217</b>	<b>10,169</b>	<b>6,608</b>	<b>1,607</b>	<b>1,579</b>	<b>11,817</b>	<b>1,464</b>	<b>2,181</b>	<b>100</b>	<b>13,742</b>	<b>494</b>	<b>190</b>	<b>(28,218)</b>	<b>430,444</b>	
<b>EXPENSES</b>																													
Salaries and Wages	141,155	39,516	-	180,671	214	9,343	-	-	1,636	262	98	5,737	5,880	1,098	2,222	2,421	4,556	-	970	7,267	1,052	175	-	529	83	-	(2,421)	221,793	
Employee Benefits	21,317	4,086	-	25,403	15	955	-	-	348	54	30	477	583	181	399	610	483	-	143	1,299	123	45	-	104	14	-	(610)	30,656	
Purchased Services	109,524	11,824	(94,045)	57,303	198	6,149	170	529	591	721	41	3,862	4,413	1,069	1,886	1,137	601	1,683	494	1,684	296	306	154	13,257	86	-	(21,123)	75,599	
General Expense	27,215	5,156	(1,474)	30,897	23	788	-	1,302	651	571	111	417	388	74	350	796	801	196	192	834	70	546	-	137	108	180	-	(1,805)	37,627
Supplies	43,135	2,260	-	45,395	4	780	-	-	80	13	1	248	222	263	195	2,866	379	13	9	873	51	108	-	-	1	-	-	51,501	
Insurance	6,166	1,822	-	7,988	-	401	2,264	49	49	25	10	174	300	103	103	16	348	30	24	215	-	15	-	1	7	-	(2,264)	9,858	
Depreciation and Amortization	18,020	2,530	-	20,550	-	273	-	857	129	79	23	153	40	-	73	153	62	-	17	293	61	576	-	-	71	-	-	23,410	
Interest Expense	4,282	98	-	4,380	-	25	-	70	-	-	10	-	-	-	-	5	162	-	-	-	-	362	-	-	243	-	-	5,257	
<b>Total Expenses</b>	<b>370,814</b>	<b>67,292</b>	<b>(65,519)</b>	<b>372,587</b>	<b>454</b>	<b>18,714</b>	<b>2,434</b>	<b>2,807</b>	<b>3,484</b>	<b>1,725</b>	<b>324</b>	<b>11,098</b>	<b>11,826</b>	<b>2,788</b>	<b>5,228</b>	<b>8,004</b>	<b>7,452</b>	<b>1,822</b>	<b>1,848</b>	<b>12,465</b>	<b>1,655</b>	<b>2,133</b>	<b>154</b>	<b>14,028</b>	<b>613</b>	<b>180</b>	<b>(28,223)</b>	<b>455,701</b>	
<b>OPERATING INCOME (LOSS)</b>	<b>(19,749)</b>	<b>(11,692)</b>	<b>-</b>	<b>(31,441)</b>	<b>(302)</b>	<b>3,332</b>	<b>-</b>	<b>761</b>	<b>(851)</b>	<b>(411)</b>	<b>134</b>	<b>2,804</b>	<b>2,247</b>	<b>(10)</b>	<b>(1,011)</b>	<b>2,165</b>	<b>(844)</b>	<b>(315)</b>	<b>(270)</b>	<b>(648)</b>	<b>(191)</b>	<b>48</b>	<b>(54)</b>	<b>(286)</b>	<b>(119)</b>	<b>-</b>	<b>5</b>	<b>(25,257)</b>	
<b>NONOPERATING</b>																													
<b>GAINS (LOSSES)</b>																													
Investment Income (Loss)	9,149	163	-	9,312	-	925	-	224	255	151	-	-	-	-	1	-	-	-	-	47	-	22	-	-	-	4	-	10,942	
Net Change in Unrealized Gains (Losses) on Trading Securities	(18,922)	-	-	(18,922)	-	(2,072)	(6,143)	(849)	(574)	-	-	-	-	-	-	-	-	-	-	(175)	(164)	-	-	-	-	-	-	(28,899)	
Realized Gain on Sale of Securities	9,365	-	-	9,365	-	1,102	-	170	308	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10,945	
Contributions	398	-	-	398	-	144	-	-	863	-	-	40	6	12	8	-	-	-	-	406	66	-	-	-	-	572	-	2,515	
Other, Net	(1,034)	16	-	(1,018)	-	122	-	5	12,796	-	-	-	-	-	1	(1,291)	253	(300)	331	-	-	5	-	-	115	-	(1,176)	(12,746)	
Total Nonoperating Gains (Losses)	(1,044)	179	-	(865)	-	221	(6,143)	(450)	852	12,947	-	40	7	12	10	(1,291)	253	(300)	331	278	(99)	27	-	-	119	572	(1,176)	(12,746)	(7,400)
<b>EXCESS (DEFICIENCY) OF REVENUES AND GAINS OVER EXPENSES AND LOSSES</b>	<b>\$ (20,783)</b>	<b>\$ (11,513)</b>	<b>\$ -</b>	<b>\$ (32,306)</b>	<b>\$ (302)</b>	<b>\$ 3,553</b>	<b>\$ (6,143)</b>	<b>\$ 311</b>	<b>\$ 1</b>	<b>\$ 12,536</b>	<b>\$ 134</b>	<b>\$ 2,844</b>	<b>\$ 2,254</b>	<b>\$ 2</b>	<b>\$ (1,001)</b>	<b>\$ 874</b>	<b>\$ (591)</b>	<b>\$ (615)</b>	<b>\$ 61</b>	<b>\$ (370)</b>	<b>\$ (289)</b>	<b>\$ 76</b>	<b>\$ (54)</b>	<b>\$ (286)</b>	<b>\$ -</b>	<b>\$ 872</b>	<b>\$ (1,176)</b>	<b>\$ (12,741)</b>	<b>\$ (32,657)</b>

**HOLY REDEEMER HEALTH SYSTEM**  
**CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2022**  
*(In Thousands)*  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	HRHS	Physician Services	Eliminations and Adjustments Obligated Group	Total Obligated Group	Cancer Cr Phy Network	HRVNA	THR	Management Corp.	Drueding	Redeemer Village	Redeemer Village II	VNHS	HRHC	HR Hospice	VNA Mercer	ASC	OSRA	PGC, LLC	PGC, PC	Little Flower	HRQZ Homes	HRARL	HRARL, Inc.	IWA	Redeemer VI Housing	Redeemer Hth Foundation	JV Doylestown Cardiology	Eliminations and Adjustments	Total	
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>																														
Excess (Deficiency) of Revenues and Gains																														
Over Expenses and Losses	\$ (20,793)	\$ (11,513)	\$ -	\$ (32,306)	\$ (302)	\$ 3,553	\$ (6,143)	\$ 311	\$ 1	\$ 12,536	\$ 134	\$ 2,844	\$ 2,254	\$ 2	\$ (1,001)	\$ 674	\$ (591)	\$ (615)	\$ 61	\$ (370)	\$ (289)	\$ 75	\$ (54)	\$ (286)	\$ -	\$ 572	\$ (1,176)	\$ (12,741)	\$ (32,657)	
Other Changes in Net Assets Without Donor Restrictions:																														
Equity Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,315	171	-	-	-	-	-	-	-	-	-	-	1,486
Other Changes in Pension Liability	19,828	-	-	19,828	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	19,828
Other Changes in Net Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,291	-	-	-	-	-	(100)	100	-	4,048	-	-	6	5,345	
Distributions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,438)	(253)	-	-	-	-	-	-	-	-	-	-	-	-	(2,691)
Increase (Decrease) in Net Assets Without Donor Restrictions	(965)	(11,513)	-	(12,478)	(302)	3,553	(6,143)	311	1	12,536	134	2,844	2,254	2	(1,001)	(273)	(844)	700	232	(370)	(289)	(25)	46	(286)	4,048	572	(1,176)	(12,735)	(8,689)	
<b>NET ASSETS WITH DONOR RESTRICTIONS</b>																														
Contributions	1,639	-	-	1,639	-	146	-	-	194	-	-	-	-	-	-	-	-	-	-	-	(44)	-	-	-	-	1,665	-	-	3,600	
Income (Loss) on Long-Term Investments	(1,427)	-	-	(1,427)	-	-	-	-	(123)	-	-	(119)	-	(442)	(16)	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,123)	
Net Assets Released from Restrictions Used for Operations	(4,034)	-	-	(4,034)	-	(152)	-	-	(332)	-	-	-	-	-	-	-	-	-	-	-	-	36	82	(100)	-	5	-	-	(4,495)	
Increase (Decrease) in Net Assets With Donor Restrictions	(3,822)	-	-	(3,822)	-	(6)	-	-	(261)	-	-	(115)	-	(442)	(16)	-	-	-	-	-	(6)	82	(100)	-	-	1,670	-	-	(3,018)	
<b>INCREASE (DECREASE) IN NET ASSETS</b>	(4,787)	(11,513)	-	(16,300)	(302)	3,547	(6,143)	311	(260)	12,536	134	2,729	2,254	(440)	(1,017)	(273)	(844)	700	232	(370)	(297)	57	(54)	(286)	4,048	2,242	(1,176)	(12,735)	(11,707)	
Net Assets - Beginning of Year	261,259	(83,209)	-	178,050	-	46,279	7,643	19,648	7,802	769	(137)	(7,781)	(2,501)	2,702	(13,142)	3,149	(2,898)	(595)	-	6,413	1,213	(8,614)	(220)	(2,545)	-	-	-	(2,812)	232,443	
<b>NET ASSETS - END OF YEAR</b>	\$ 256,472	\$ (94,722)	\$ -	\$ 161,750	\$ (302)	\$ 49,826	\$ 1,500	\$ 19,959	\$ 7,542	\$ 13,295	\$ (3)	\$ (5,052)	\$ (247)	\$ 2,262	\$ (14,156)	\$ 2,876	\$ (3,712)	\$ 105	\$ 232	\$ 6,043	\$ 916	\$ (8,557)	\$ (274)	\$ (2,831)	\$ 4,048	\$ 2,242	\$ (1,176)	\$ (15,547)	\$ 220,736	

**HOLY REDEEMER HEALTH SYSTEM  
CONSOLIDATING BALANCE SHEET  
JUNE 30, 2021  
(In Thousands)  
(SEE INDEPENDENT AUDITORS' REPORT)**

	HRHS	Physician Services	Eliminations and Adjustments		HRVNA	THR	Management Corp.	Drueding	Redeemer Village	Redeemer Village II	VNHS	HRHC	HR Hospice	VNA Mercer	ASC	OSRA	PGC, LLC	Little Flower	HRDZ Homes	HRARL	HRARL, Inc.	IWA	Eliminations and Adjustments		Total
			Obligated Group	Total Obligated Group																					
<b>ASSETS</b>																									
<b>CURRENT ASSETS</b>																									
Cash and Cash Equivalents	\$ 21,685	\$ 974	\$ -	\$ 22,659	\$ 6,097	\$ 99	\$ 2,279	\$ 334	\$ 5	\$ 6	\$ 2,118	\$ 2,083	\$ 356	\$ 1,398	\$ 2,329	\$ 651	\$ -	\$ 3,200	\$ 2,173	\$ 3,437	\$ 38	\$ 6,980	\$ -	\$ 56,242	
Current Portion of Trustee-Held Funds	8,139	-	-	8,139	1,450	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9,589	
Statutory Liquid Reserve	127	-	-	127	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	682	-	-	-	809	
Patient Accounts Receivable, Net	26,029	2,833	-	28,862	2,025	-	-	-	-	-	1,402	2,190	166	479	720	600	-	561	3	-	-	-	-	37,008	
Other Current Assets	8,396	411	-	8,807	8	505	485	429	143	45	88	-	3	62	426	120	20	245	125	124	-	2,508	-	14,143	
Due from Affiliates	148,499	-	(103,290)	45,209	31,794	-	-	2,324	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(79,327)	
Total Current Assets	212,875	4,218	(103,290)	113,803	41,374	604	2,764	3,087	148	51	3,608	4,273	525	1,939	3,475	1,371	20	4,006	2,301	4,243	38	9,488	(79,327)	117,791	
<b>ASSETS LIMITED AS TO USE</b>																									
Trustee-Held Funds, Net of Current Portion	8,144	-	-	8,144	1,124	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9,268	
Construction Funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Professional Liability Funds	-	-	-	-	-	66,155	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	66,155	
Total Assets Limited as to Use	8,144	-	-	8,144	1,124	66,155	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	75,423	
<b>PROPERTY AND EQUIPMENT, NET</b>	129,187	15,878	-	145,065	1,030	-	15,129	989	594	106	1,156	161	27	345	746	393	10	2,674	674	8,009	750	-	-	177,858	
<b>OTHER ASSETS</b>																									
Investments	172,194	(698)	-	171,496	13,917	-	6,576	3,950	688	315	767	-	4,498	2	-	-	-	1,653	-	-	-	-	(2,812)	201,050	
Right-Of-Use Assets - Operating Leases	2,666	20,223	-	22,889	289	-	-	-	-	-	9	-	-	932	-	-	-	-	-	-	-	-	-	24,119	
Other	7,352	706	-	8,058	419	1,701	64	2	-	-	-	-	-	-	-	711	290	-	30	-	-	-	-	11,275	
Due from Affiliates	-	2,926	-	2,926	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,926)	-	
Total Other Assets	182,212	23,157	-	205,369	14,625	1,701	6,640	3,952	688	315	776	-	4,498	934	-	711	290	1,653	30	-	-	-	(5,738)	236,444	
Total Assets	\$ 532,418	\$ 43,253	\$ (103,290)	\$ 472,381	\$ 58,153	\$ 68,460	\$ 24,533	\$ 8,028	\$ 1,430	\$ 472	\$ 5,540	\$ 4,434	\$ 5,050	\$ 3,218	\$ 4,221	\$ 2,475	\$ 320	\$ 8,333	\$ 3,005	\$ 12,252	\$ 788	\$ 9,488	\$ (85,065)	\$ 607,516	

**HOLY REDEEMER HEALTH SYSTEM**  
**CONSOLIDATING BALANCE SHEET (CONTINUED)**  
**YEAR ENDED JUNE 30, 2021**  
*(In Thousands)*  
**(SEE INDEPENDENT AUDITORS' REPORT)**

LIABILITIES AND NET ASSETS	HRHS	Physician Services	Eliminations and Adjustments Obligated Group	Total Obligated Group	HRVNA	THR	Management Corp.	Drueding	Redeemer Village	Redeemer Village II	VNHS	HRHC	HR Hospice	VNA Mercer	ASC	OSRA	PGC, LLC	Little Flower	HRDZ Homes	HRARL	HRARL, Inc.	IWA	Eliminations and Adjustments	Total
<b>CURRENT LIABILITIES</b>																								
Lines of Credit, Paycheck Protection Program Loans	\$ -	\$ -	\$ -	\$ -	\$ 3,241	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,837	\$ 2,083	\$ 422	\$ 813	\$ -	\$ 2,863	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (2,863)	\$ 8,396
Current Portion of Capital Leases	1,344	365	-	1,709	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,709
Current Portion of Long-Term Debt	4,234	71	-	4,305	100	-	504	-	85	181	-	-	-	-	-	-	-	-	-	320	-	-	-	5,495
Lease Liabilities - Operating Leases	578	1,365	-	1,943	102	-	-	-	-	-	9	-	-	167	-	-	-	-	-	-	-	-	-	2,221
Accounts Payable	10,394	630	-	11,024	106	-	10	12	4	1	23	20	14	5	147	909	4	238	-	26	-	5	-	12,548
Accrued Expenses, Principally Salaries and Benefits	43,763	4,523	-	48,286	3,336	70	617	146	95	75	1,530	1,190	385	511	102	876	188	1,682	43	75	-	8,131	-	67,338
Current Portion of Self-Insurance and Other Liabilities	7,889	31	-	7,920	-	-	-	-	-	-	-	-	247	-	-	-	-	-	-	-	-	-	-	8,167
Due to Affiliates	-	103,290	(103,290)	-	-	46,211	1,753	-	414	135	8,160	1,405	576	13,335	560	316	281	-	1,749	313	1,008	3,897	(80,113)	-
Total Current Liabilities	68,202	110,275	(103,290)	75,187	6,885	46,281	2,884	158	598	392	11,559	4,698	1,644	14,831	809	4,964	473	1,920	1,792	734	1,008	12,033	(82,976)	105,874
<b>LONG-TERM LIABILITIES</b>																								
Long-Term Capital Leases, Net of Current Portion	2,033	1,058	-	3,091	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,091
Long-Term Debt, Net of Current Portion	107,771	517	-	108,288	536	-	2,001	-	-	198	-	-	-	-	-	-	-	-	-	9,338	-	-	-	120,361
Operating Leases, Net	2,089	18,858	-	20,947	186	-	-	-	-	-	-	-	-	785	-	-	-	-	-	-	-	-	-	21,898
Third-Party Advances	24,977	-	-	24,977	4,267	-	-	-	-	-	1,761	2,237	704	738	263	379	-	-	-	-	-	-	-	35,326
Refundable Advances	4,749	(4,246)	-	503	-	-	-	67	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	570
Pension Liability	48,780	-	-	48,780	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	48,780
Self-Insurance Liabilities	6,565	-	-	6,565	-	14,536	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	21,101
Other Liabilities	5,408	-	-	5,408	-	-	-	1	73	19	1	-	-	26	-	-	442	-	-	-	-	-	723	6,693
Deferred and Refundable Entry Fees, Net	585	-	-	585	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10,794	-	-	-	-	11,379
Total Long-Term Liabilities	202,957	16,187	-	219,144	4,989	14,536	2,001	68	73	217	1,762	2,237	704	1,529	263	379	442	-	-	20,132	-	-	723	269,199
Total Liabilities	271,159	126,462	(103,290)	294,331	11,874	60,817	4,885	226	671	609	13,321	6,935	2,348	16,360	1,072	5,343	915	1,920	1,792	20,866	1,008	12,033	(82,253)	375,073
<b>NET ASSETS (DEFICIT)</b>																								
Without Donor Restrictions:																								
Unrestricted	247,379	(83,209)	-	164,170	44,546	7,643	19,648	6,287	759	(137)	(7,704)	(2,522)	(1,551)	(13,217)	1,271	(2,008)	(303)	6,413	690	(4,352)	(163)	(2,213)	(2,820)	214,437
Noncontrolling Interests	-	-	-	-	-	-	-	-	-	-	(846)	-	-	-	1,878	(860)	(232)	-	(4,180)	(157)	(332)	-	-	(4,789)
Total Without Donor Restrictions	247,379	(83,209)	-	164,170	44,546	7,643	19,648	6,287	759	(137)	(8,550)	(2,522)	(1,551)	(13,217)	3,149	(2,868)	(595)	6,413	690	(8,532)	(320)	(2,545)	(2,820)	209,648
With Donor Restrictions	13,880	-	-	13,880	1,733	-	-	1,515	-	-	769	21	4,253	75	-	-	-	-	523	(82)	100	-	8	22,795
Total Net Assets (Deficit)	261,259	(83,209)	-	178,050	46,279	7,643	19,648	7,802	759	(137)	(7,781)	(2,501)	2,702	(13,142)	3,149	(2,868)	(595)	6,413	1,213	(8,614)	(220)	(2,545)	(2,812)	232,443
Total Liabilities and Net Assets (Deficit)	\$ 532,418	\$ 43,253	\$ (103,290)	\$ 472,381	\$ 58,153	\$ 68,460	\$ 24,533	\$ 8,028	\$ 1,430	\$ 472	\$ 5,540	\$ 4,434	\$ 5,050	\$ 3,218	\$ 4,221	\$ 2,475	\$ 320	\$ 8,333	\$ 3,005	\$ 12,252	\$ 788	\$ 9,488	\$ (85,065)	\$ 607,516



**HOLY REDEEMER HEALTH SYSTEM**  
**CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2021**  
*(In Thousands)*  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	HRHS	Physician Services	Eliminations and Adjustments Obligated Group	Total Obligated Group	HRVNA	THR	Management Corp.	Drueding	Redeemer Village	Redeemer Village II	VNHS	HRHC	HR Hospice	VNA Mercer	ASC	OSRA	PGC, LLC	Little Flower	HRDZ Homes	HRARL	HRARL, Inc.	IWA	Eliminations and Adjustments	Total	
<b>REVENUES</b>																									
Patient Service Revenues	\$ 248,230	\$ 36,258	\$ -	\$ 284,488	\$ 24,343	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,770	\$ 14,347	\$ 3,086	\$ 4,819	\$ 9,073	\$ 6,836	\$ -	\$ 10,657	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 368,419	
Other Operating Revenue	68,934	15,520	(15,350)	69,104	12	6,111	3,469	2,199	1,639	584	890	124	40	-	907	1,128	3,768	1,773	661	2,202	-	13,794	(31,659)	76,746	
Net Assets Released from Restrictions Used for Operations	246	2	-	248	-	-	-	372	-	-	20	-	-	-	-	-	-	-	-	-	-	-	(2)	638	
Total Revenues	317,410	51,780	(15,350)	353,840	24,355	6,111	3,469	2,571	1,639	584	11,680	14,471	3,126	4,819	9,980	7,964	3,768	12,430	661	2,202	-	13,794	(31,661)	445,803	
<b>EXPENSES</b>																									
Salaries and Wages	135,875	37,911	-	173,786	10,854	-	-	1,674	321	112	5,760	6,691	1,311	2,617	1,963	4,728	-	7,008	494	170	-	522	(1,963)	216,048	
Employee Benefits	27,030	4,349	-	31,379	2,240	-	-	409	105	24	1,310	1,243	329	656	532	621	-	1,190	91	69	-	91	(532)	39,757	
Purchased Services	56,550	11,239	(16,269)	51,520	6,382	150	493	313	126	52	3,976	4,277	1,108	1,948	939	634	3,784	1,546	191	135	-	12,998	(21,396)	69,176	
General Expense	25,465	5,199	919	31,583	899	-	1,295	605	397	148	371	439	88	383	846	930	452	642	55	546	71	106	(1,804)	38,052	
Supplies	42,064	2,294	-	44,358	987	-	-	75	11	-	237	213	368	227	2,335	454	39	1,096	25	111	-	-	-	50,536	
Insurance	6,899	3,045	-	9,744	461	5,961	45	49	28	9	274	380	95	89	16	315	48	219	-	14	-	7	(5,961)	11,793	
Depreciation and Amortization	18,434	2,669	-	21,103	249	-	882	141	102	34	147	115	-	76	212	62	-	283	58	595	-	-	-	24,059	
Interest Expense	4,482	111	-	4,593	30	-	76	-	24	41	-	-	-	-	2	165	-	-	-	374	-	-	3	5,308	
Total Expenses	316,599	66,817	(15,350)	368,066	22,102	6,111	2,791	3,266	1,114	420	12,075	13,358	3,299	5,996	6,845	7,909	4,323	11,984	914	2,014	71	13,724	(31,653)	454,729	
<b>OPERATING INCOME (LOSS)</b>	811	(15,037)	-	(14,226)	2,253	-	678	(695)	525	164	(395)	1,113	(173)	(1,177)	3,135	55	(555)	446	(253)	188	(71)	70	(8)	(8,926)	
<b>NONOPERATING GAINS (LOSSES)</b>																									
Investment Income (Loss)	7,721	161	-	7,882	781	-	237	231	1	1	1	1	-	-	-	-	-	39	-	32	-	-	-	9,206	
Net Change in Unrealized Gains (Losses) on Trading Securities	(1,113)	83	-	(1,030)	(104)	2,680	839	(31)	-	-	1	-	-	-	-	-	-	129	213	-	-	-	-	2,597	
Realized Gain on Sale of Securities	12,656	-	-	12,656	1,342	-	260	379	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	14,637
Contributions	444	-	-	444	119	-	-	774	-	-	35	7	18	11	-	-	-	-	26	-	-	-	-	-	1,434
Other, Net	1,771	967	-	2,738	2	-	5	-	-	-	71	2	-	3	-	-	-	2	-	(3)	-	-	-	(2,409)	411
Total Nonoperating Gains (Losses)	21,479	1,211	-	22,690	2,140	2,580	1,341	1,353	1	1	108	10	18	14	-	-	-	170	239	29	-	-	-	(2,409)	28,285
<b>EXCESS (DEFICIENCY) OF REVENUES AND GAINS OVER EXPENSES AND LOSSES</b>	\$ 22,290	\$ (13,826)	\$ -	\$ 8,464	\$ 4,393	\$ 2,580	\$ 2,019	\$ 658	\$ 526	\$ 165	\$ (287)	\$ 1,123	\$ (155)	\$ (1,163)	\$ 3,135	\$ 55	\$ (555)	\$ 616	\$ (14)	\$ 217	\$ (71)	\$ 70	\$ (2,417)	\$ 19,359	

**HOLY REDEEMER HEALTH SYSTEM**  
**CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2021**  
*(In Thousands)*  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	HRHS	Physician Services	Eliminations and Adjustments Obligated Group	Total Obligated Group	HRVNA	THR	Management Corp.	Drueding	Redeemer Village	Redeemer Village II	VNHS	HRHC	HR Hospice	VNA Mercer	ASC	OSRA	PGC, LLC	Little Flower	HRDZ Homes	HRARL	HRARL, Inc.	IWA	Eliminations and Adjustments	Total
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>																								
Excess (Deficiency) of Revenues and Gains																								
Over Expenses and Losses	\$ 22,290	\$ (13,826)	\$ -	8,464	\$ 4,393	\$ 2,580	\$ 2,019	\$ 658	\$ 526	\$ 165	\$ (287)	\$ 1,123	\$ (155)	\$ (1,163)	\$ 3,135	\$ 55	\$ (555)	\$ 616	\$ (14)	\$ 217	\$ (71)	\$ 70	\$ (2,417)	\$ 19,359
Other Changes in Net Assets Without Donor Restrictions:																								
Changes in Net Unrealized Gains on Other-than-Trading Securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity Transfer	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9	9
Other Changes in Pension Liability	12,544	-	-	12,544	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12,544
Other Changes in Net Assets	-	-	-	-	(246)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(246)
Distributions	-	-	-	-	-	-	-	-	-	-	-	1	-	-	(2,458)	-	-	-	-	-	-	-	-	(2,457)
Increase (Decrease) in Net Assets Without Donor Restrictions	34,834	(13,826)	-	21,008	4,147	2,580	2,019	658	526	165	(287)	1,124	(155)	(1,163)	677	55	(555)	616	(14)	217	(71)	79	(2,417)	29,209
<b>NET ASSETS WITH DONOR RESTRICTIONS</b>																								
Contributions	1,619	-	-	1,619	481	-	-	383	-	-	155	209	740	87	-	-	-	-	420	-	100	-	-	4,194
Income (Loss) on Long-Term Investments	1,858	-	-	1,858	-	-	-	151	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,009
Net Assets Released from Restrictions Used for Operations	(1,009)	-	-	(1,009)	-	-	-	(372)	-	-	(44)	(209)	(40)	(98)	-	-	-	-	-	(82)	-	-	-	8
Increase (Decrease) in Net Assets With Donor Restrictions	2,468	-	-	2,468	481	-	-	162	-	-	111	-	700	(11)	-	-	-	-	420	(82)	100	-	-	8
<b>INCREASE (DECREASE) IN NET ASSETS</b>	37,302	(13,826)	-	23,476	4,628	2,580	2,019	820	526	165	(176)	1,124	545	(1,174)	677	55	(555)	616	406	135	29	79	(2,409)	33,566
Net Assets - Beginning of Year	223,957	(69,383)	-	154,574	41,651	5,063	17,629	6,982	233	(302)	(7,605)	(3,625)	2,157	(11,968)	2,472	(2,923)	(40)	5,797	807	(8,749)	(2,49)	(2,624)	(403)	198,877
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 261,259</u>	<u>\$ (83,209)</u>	<u>\$ -</u>	<u>\$ 178,050</u>	<u>\$ 46,279</u>	<u>\$ 7,643</u>	<u>\$ 19,648</u>	<u>\$ 7,802</u>	<u>\$ 759</u>	<u>\$ (137)</u>	<u>\$ (7,781)</u>	<u>\$ (2,501)</u>	<u>\$ 2,702</u>	<u>\$ (13,142)</u>	<u>\$ 3,149</u>	<u>\$ (2,868)</u>	<u>\$ (595)</u>	<u>\$ 6,413</u>	<u>\$ 1,213</u>	<u>\$ (8,614)</u>	<u>\$ (220)</u>	<u>\$ (2,545)</u>	<u>\$ (2,812)</u>	<u>\$ 232,443</u>



**INDEPENDENT AUDITORS' 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**

Board of Trustees  
Holy Redeemer Health System  
Philadelphia, Pennsylvania

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 Holy Redeemer Health System (Holy Redeemer), which comprise the consolidated balance sheets as of June 30, 2022, and the related consolidated statements of operations and changes in net assets, and cash flows for the year ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 24, 2022.

***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the consolidated financial statements, we considered Holy Redeemer Health System's internal control over financial reporting (internal control) as a basis for designing 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 Holy Redeemer Health System's internal control. Accordingly, we do not express an opinion on the effectiveness of Holy Redeemer Health 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 or significant deficiencies may exist that were not identified.

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Holy Redeemer Health 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 financial statements. 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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Plymouth Meeting, Pennsylvania  
October 24, 2022