

AUDITED CONSOLIDATED FINANCIAL STATEMENTS,  
REPORTS, SUPPLEMENTARY INFORMATION, AND  
SCHEDULE REQUIRED BY THE UNIFORM GUIDANCE

Cedars-Sinai Health System  
Year Ended June 30, 2021  
With Report of Independent Auditors

Ernst & Young LLP



Cedars-Sinai Health System

Audited Consolidated Financial Statements, Reports,  
Supplementary Information, and Schedule Required by the Uniform Guidance

Year Ended June 30, 2021

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## Report of Independent Auditors

Management and the Board of Directors  
Cedars-Sinai Health System

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of Cedars-Sinai Health System, which comprise the consolidated balance sheets as of June 30, 2021 and 2020, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free of material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## ***Opinion***

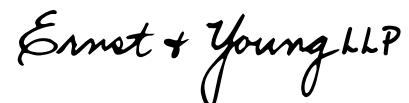
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Cedars-Sinai Health System as of June 30, 2021 and 2020, and the consolidated results of its operations and changes in net assets, and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

## **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. We have not performed any procedures with respect to the audited consolidated financial statements subsequent to October 22, 2021. The accompanying Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. 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 also have issued our report dated October 22, 2021 on our consideration of Cedars-Sinai 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 Cedars-Sinai 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 Cedars-Sinai Health System's internal control over financial reporting and compliance.



October 22, 2021, except for our report on the Schedule of Expenditures of Federal Awards, for which the date is September 26, 2022

## Cedars-Sinai Health System

### Consolidated Balance Sheets (Dollar Amounts Expressed in Thousands)

	<b>June 30</b>	
	<b>2021</b>	<b>2020</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,248,138	\$ 1,297,325
Short-term investments	952,150	660,140
Board-designated assets	1,708,139	1,284,604
Current portion of assets limited as to use:		
Funds held by trustee	3,356	1,864
Pledges receivable	46,438	36,273
Managed care reserve fund	79,228	89,208
Patient accounts receivable	790,580	579,465
Inventory	62,567	60,817
Prepaid expenses and other assets	291,758	264,045
Total current assets	5,182,354	4,273,741
Assets limited as to use:		
Investments	671,538	630,631
Pledges receivable, less current portion	283,477	197,854
	955,015	828,485
Property and equipment, net	3,496,371	3,409,600
Goodwill and other intangible assets	165,298	186,637
Equity method investments	230,540	127,066
Other noncurrent assets	256,979	253,202
Operating lease right-of-use asset	392,171	404,546
Financing lease right-of-use asset	13,790	6,614
Total assets	\$ 10,692,518	\$ 9,489,891

	<b>June 30</b>	
	<b>2021</b>	<b>2020</b>
<b>Liabilities and net assets</b>		
Current liabilities:		
Accounts payable and other accrued liabilities	\$ 555,690	\$ 507,597
Due to third-party payers	69,896	91,937
Accrued payroll and related liabilities	440,145	395,676
Risk pool liabilities	109,009	113,441
Current maturities of long-term debt	53,899	62,088
Current operating lease liabilities	78,986	79,477
Current financing lease liabilities	3,664	2,144
Total current liabilities	<u>1,311,289</u>	<u>1,252,360</u>
Long-term debt, less current maturities	1,343,656	1,402,397
Long-term operating lease liabilities	378,299	388,020
Long-term financing lease liabilities	10,345	4,331
Accrued workers' compensation and malpractice insurance claims, less current portion	177,919	176,654
Pension liability	68,062	243,405
Other liabilities	86,597	88,649
Net assets:		
Without donor restrictions:		
Controlling interests	6,212,310	4,981,843
Noncontrolling interests	47,855	51,085
With donor restrictions	1,056,186	901,147
Total net assets	<u>7,316,351</u>	<u>5,934,075</u>
Total liabilities and net assets	<u><u>\$ 10,692,518</u></u>	<u><u>\$ 9,489,891</u></u>

*See accompanying notes.*

## Cedars-Sinai Health System

### Consolidated Statements of Operations and Changes in Net Assets

*(Dollar Amounts Expressed in Thousands)*

	<b>Year Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
<b>Net assets without donor restrictions</b>		
Net patient service revenues before Medi-Cal Fee Program	\$ 4,851,104	\$ 4,233,421
Medi-Cal Fee Program revenue	<b>119,427</b>	113,755
Net patient service revenues	<b>4,970,531</b>	4,347,176
Premium revenues	<b>310,988</b>	283,811
Other operating revenues	<b>296,855</b>	278,751
Net assets released from restrictions	<b>248,701</b>	232,215
Total revenues, gains, and other support	<b>5,827,075</b>	5,141,953
 Expenses:		
Salaries and related costs	<b>2,718,979</b>	2,523,297
Professional fees	<b>476,932</b>	369,876
Materials, supplies, and other	<b>1,800,730</b>	1,613,886
Medi-Cal Fee Program expense	<b>133,338</b>	127,658
Interest	<b>37,309</b>	37,974
Depreciation and amortization	<b>254,086</b>	231,307
Total expenses	<b>5,421,374</b>	4,903,998
Income from operations	<b>405,701</b>	237,955
 Investment income	<b>589,749</b>	111,599
Income (loss) on equity method investments	<b>52,115</b>	(31,548)
Other components of net periodic benefit credit	<b>11,169</b>	12,149
Other nonoperating income	<b>4,857</b>	—
Excess of revenues over expenses	<b>1,063,591</b>	330,155
(Excess) of revenues over expenses attributable to noncontrolling interests	<b>(500)</b>	(947)
Excess of revenues over expenses attributable to the Health System	<b>\$ 1,063,091</b>	\$ 329,208

## Cedars-Sinai Health System

### Consolidated Statements of Operations and Changes in Net Assets (continued) (Dollar Amounts Expressed in Thousands)

	<b>Year Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
<b>Net assets without donor restrictions (continued)</b>		
Controlling interests activity:		
Excess of revenues over expenses attributable to the Health System	\$ 1,063,091	\$ 329,208
Net assets released from restrictions related to property and equipment	734	3,118
Change in pension liability	166,642	(174,977)
Curtailement gain	–	37,790
Increase in net assets without donor restrictions attributable to the Health System	1,230,467	195,139
Noncontrolling interests activity:		
Sale of noncontrolling interest	1,630	–
Excess of revenues over expenses attributable to noncontrolling interests	500	947
Distributions to noncontrolling interests	(5,360)	(2,985)
Decrease in net assets without donor restrictions attributable to noncontrolling interests	(3,230)	(2,038)
Increase in net assets without donor restrictions	1,227,237	193,101
<b>Net assets with donor restrictions</b>		
Contributions, grants and other	389,494	290,329
Investment income	14,980	13,899
Net assets released from restrictions	(249,435)	(235,333)
Increase in net assets with donor restrictions	155,039	68,895
Increase in net assets	1,382,276	261,996
Net assets at beginning of year	5,934,075	5,672,079
Net assets at end of year	\$ 7,316,351	\$ 5,934,075

*See accompanying notes.*



# Cedars-Sinai Health System

## Consolidated Statements of Cash Flows

*(Dollar Amounts Expressed in Thousands)*

	<b>Year Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
<b>Operating activities</b>		
Increase in net assets	\$ 1,382,276	\$ 261,996
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Loss on disposal of property, plant, and equipment	11	4,589
Depreciation expense	230,727	207,787
Gain on extinguishment of debt	(4,857)	–
Amortization of goodwill and other intangibles	23,359	23,520
Amortization of deferred financing costs and bond premiums	(10,779)	(11,435)
Amortization of operating lease right-of-use assets	76,628	78,541
Restricted contributions	(29,430)	(25,400)
Unrealized gains on investments	(413,657)	(46,635)
(Gains) losses on equity method investments	(52,115)	31,548
Distributions to noncontrolling interests	5,360	2,985
Distributions from unconsolidated entities	8,329	–
Changes in operating assets and liabilities:		
Patient accounts receivable	(211,115)	85,108
Due to third-party payers	(22,041)	98,520
Inventory, prepaid expenses, and other current assets	(24,917)	(50,454)
Assets limited as to use	(87,300)	(3,017)
Accounts payable and other accrued liabilities	50,207	100,138
Accrued payroll and related liabilities	44,469	31,139
Risk pool liabilities	(4,432)	(4,266)
Operating lease liabilities	(79,012)	(79,614)
Other long-term liabilities	(186,840)	64,656
Net cash provided by operating activities before net (purchases) sales of trading investments	694,871	769,706
Net (purchases) sales of trading investments	(481,871)	389,705
Net cash provided by operating activities	213,000	1,159,411
<b>Investing activities</b>		
Expenditures for property and equipment	(299,113)	(419,047)
Acquisition of property held for future use	–	(36,787)
Purchase consideration for acquisitions	(18,517)	–
Investments in unconsolidated entities	(55,539)	(73,612)
Sales of alternative investments	159,151	44,030
Purchases of alternative investments	(95,805)	(29,110)
Net change in cash equivalents reported in long-term investments	–	52,219
Net cash used in investing activities	(309,823)	(462,307)

## Cedars-Sinai Health System

### Consolidated Statements of Cash Flows (continued)

*(Dollar Amounts Expressed in Thousands)*

	<b>Year Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
<b>Financing activities</b>		
Principal payments on long-term debt	\$ (41,635)	\$ (39,868)
Proceeds received from short-term note	–	9,500
Repayment of short-term note	(9,500)	–
Principal payments on finance lease liabilities	(2,801)	(2,075)
Distributions to noncontrolling interests	(5,360)	(2,985)
Proceeds from issuance of long-term debt, net cost of issuance	124,495	–
Repayment of debt upon extinguishment	(124,655)	–
Restricted contributions	29,430	25,400
Net cash used in financing activities	<u>(30,026)</u>	<u>(10,028)</u>
(Decrease) increase in cash, cash equivalents, and restricted cash	(126,849)	687,076
Cash, cash equivalents, and restricted cash – beginning of year	1,429,054	741,978
Cash, cash equivalents, and restricted cash – end of year	<u>\$ 1,302,205</u>	<u>\$ 1,429,054</u>
<b>Supplemental disclosure of cash flow information</b>		
Interest paid	<u>\$ 58,052</u>	<u>\$ 63,565</u>

The Health System capitalized property and equipment of \$34,616 and \$39,344 at June 30, 2021 and 2020, respectively, that had not been paid and is included in the consolidated balance sheets under accounts payable and other accrued liabilities.

*See accompanying notes.*

# Cedars-Sinai Health System

## Notes to Consolidated Financial Statements (Dollar Amounts Expressed in Thousands)

June 30, 2021 and 2020

### 1. Organization

Cedars-Sinai Health System, a California nonprofit, public benefit corporation (the Health System), is tax-exempt under the provisions of the Internal Revenue Code (the Code) and applicable provisions of the Franchise Tax Code of the state of California. Cedars-Sinai Health System was created and incorporated in May 2017 as the parent organization to facilitate an affiliation between Cedars-Sinai Medical Center and Torrance Health Association, Inc. Effective May 1, 2017, the Health System is the sole corporate member of Cedars-Sinai Medical Center and its affiliates. Effective February 1, 2018, the Health System became the sole corporate member of Torrance Health Association, Inc. and its affiliates. The accompanying consolidated financial statements include the accounts of the Health System and its affiliate or subsidiary organizations, as detailed below:

Cedars-Sinai – The accompanying consolidated financial statements include the accounts of Cedars-Sinai Medical Center and its affiliates, collectively referred to as Cedars-Sinai, as of and for the years ended June 30, 2021 and 2020. The following entities are included in the accompanying consolidated financial statements:

Cedars-Sinai Medical Center (CSMC) is a California nonprofit, public benefit corporation that owns and operates a hospital with 889 licensed beds in Los Angeles, California, and provides patient care, medical research, health education, and community service. Cedars-Sinai Medical Center is the sole corporate member of Cedars-Sinai Medical Care Foundation and Marina Del Rey Hospital.

Cedars-Sinai Medical Care Foundation (CSMCF) is a California nonprofit, public benefit corporation that operates, manages, and maintains a multi-specialty clinic; holds payer contracts and the assets of acquired physician and physician group practices and independent practice associations; and contracts for physician services pursuant to professional services agreements.

CFHS Holdings, Inc. (dba Marina Del Rey Hospital) is a California nonprofit, public benefit corporation, which owns and operates Marina Del Rey Hospital, a community hospital with 133 licensed beds.

# Cedars-Sinai Health System

## Notes to Consolidated Financial Statements (continued) (Dollar Amounts Expressed in Thousands)

### 1. Organization (continued)

Torrance Memorial – The accompanying consolidated financial statements include the accounts of Torrance Health Association, Inc. and its affiliates, collectively referred to as Torrance Memorial, as of and for the years ended June 30, 2021 and 2020. The following entities are included in the accompanying consolidated financial statements:

Torrance Health Association, Inc. (THA) is a California nonprofit, public benefit corporation and is the parent organization for the entities listed below. THA was formed to engage in various health-care-related activities. THA is the sole corporate member of Torrance Memorial Medical Center and Torrance Memorial Medical Center Health Care Foundation.

Torrance Memorial Medical Center (TMMC) is a California nonprofit corporation and is licensed as a 610-bed general acute care hospital that provides inpatient, outpatient, and emergency care services for residents in the surrounding South Bay community.

Torrance Memorial Medical Center Health Care Foundation (TMMCF) is a California nonprofit corporation organized to raise funds for the support of TMMC.

On September 22, 2019, CSMC and TMMC formed El Segundo MOB, LLC (El Segundo), with each member possessing a 50% ownership interest in the LLC in order to jointly construct a Medical Office Building that will provide various outpatient services to the community. A purchase and sale agreement for the acquisition of real estate property was entered into by TMMC on behalf of El Segundo, and, on February 6, 2020, the purchase and sale agreement was assigned to El Segundo. As of June 30, 2021 and 2020, CSMC and TMMC's combined contributions totaled \$35,507 and \$30,394, respectively, in El Segundo.

On March 12, 2019, Providence St. Joseph Health (Providence) and CSMC formed Tarzana Medical Center, LLC (Tarzana), in which CSMC owns a 49% membership interest, to own and operate Providence Tarzana Medical Center (PTMC). Providence and CSMC will jointly continue the build-out and redevelopment of the PTMC campus, including a new patient-care tower with all private rooms, an expanded Emergency Department, new diagnostic and treatment services, and enhanced outpatient and ambulatory services. Upon completion of the replacement facility construction, Providence will contribute to Tarzana all tangible and intangible assets pertaining to

# Cedars-Sinai Health System

## Notes to Consolidated Financial Statements (continued) *(Dollar Amounts Expressed in Thousands)*

### **1. Organization (continued)**

the existing PTMC business. The joint venture will expand primary and specialty care services on the PTMC campus, as well as enhance other programs, including heart, cancer, and women's services. As of June 30, 2021 and 2020, CSMC's capital contributions in Tarzana totaled \$132,732 and \$82,195, respectively. This investment is recorded under the equity method of accounting in equity method investments.

### **2. Summary of Significant Accounting Policies**

#### **Use of Estimates**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates include the carrying amounts for goodwill and property and equipment, valuation of deferred gifts, purchase accounting for acquisitions, valuation allowances for receivables, liabilities for medical claims incurred but not reported, third-party payables and receivables, risk pool liabilities, pension, and self-insured programs. Actual results could differ from those estimates.

#### **Operating Revenues**

The Health System records revenue in several financial statement categories: net patient service revenues (including Medi-Cal Fee Program revenue), premium revenues, other operating revenues, and net assets released from restrictions. Performance obligations are identified based on the nature of the services provided.

## Cedars-Sinai Health System

### Notes to Consolidated Financial Statements (continued) (Dollar Amounts Expressed in Thousands)

#### 2. Summary of Significant Accounting Policies (continued)

##### Net Patient Service Revenues

Net patient service revenues are reported at the amount that reflects the consideration to which the Health System expects to be entitled in exchange for providing patient care. These amounts, representing a transaction price, are due from third-party payers (including health insurers and government programs), patients, and others and include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Health System bills the third-party payers and patients several days after the services are performed and/or the patient is discharged. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Health System. Generally, performance obligations satisfied over time apply to patients in the hospital receiving inpatient acute care services only. The Health System measures the performance obligation from admission into the hospital to the point when the medical condition upon admission has been resolved and it is no longer required to provide services to that patient, usually at the time of discharge. These services are considered to be a single performance obligation. Revenue for performance obligations satisfied over time is recognized pro rata based on actual charges incurred in relation to total expected (or actual) charges upon discharge. The Health System believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the services provided needed to satisfy the obligation. Outpatient services are performance obligations satisfied at a point in time and revenue is recognized when services are provided, and the Health System does not believe it is required to provide additional services to the patient.

The Health System has elected the practical expedient allowed under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 606-10-32-18, *Revenue from Contracts with Customers*, and does not adjust the promised amount of consideration from patients and third-party payers for the effects of a significant financing component due to the Health System'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 payer pays for that service will be one year or less. However, the Health System does, in certain instances, enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

## Cedars-Sinai Health System

### Notes to Consolidated Financial Statements (continued)

*(Dollar Amounts Expressed in Thousands)*

#### **2. Summary of Significant Accounting Policies (continued)**

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

The Health System is utilizing the portfolio approach practical expedient in ASC 606 for contracts related to net patient service revenue. The Health System accounts for the contracts within each portfolio as a collective group, rather than individual contracts, based on the payment pattern expected in each portfolio category and the similar nature and characteristics of the patients within each portfolio. The portfolios consist of major payor classes for inpatient revenue and outpatient revenue. As a result, the Health System has concluded that revenue for a given portfolio would not be materially different than if accounting for revenue on a contract-by-contract basis.

The Health System has agreements with third-party payers that provide for payments to the Health System at amounts different from established rates. For uninsured patients who do not qualify for charity care, the Health System recognizes revenue based on established rates, subject to certain discounts and implicit price concessions as determined by the Health System. The Health System determines the transaction price based on standard charges for services provided, reduced by explicit price concessions provided to third-party payers, discounts provided to uninsured patients in accordance with the Health System's policy, and implicit price concessions provided to uninsured patients. Explicit price concessions are based on contractual agreements, discount policies, and historical experience. Implicit price concessions represent differences between amounts billed and the estimated consideration the Health System expects to receive from patients, which are determined based on historical collection experience, current market conditions, and other factors. Credit impairments occurring after the date of revenue recognition are recorded in materials, supplies, and other expenses on the consolidated statements of operations and changes in net assets; the amount recognized in materials, supplies, and other expenses related to impairment losses during the years ended June 30, 2021 and 2020 was \$1,558 and \$4,243, respectively.

## Cedars-Sinai Health System

### Notes to Consolidated Financial Statements (continued) (Dollar Amounts Expressed in Thousands)

#### 2. Summary of Significant Accounting Policies (continued)

Generally, patients who are covered by third-party payers are responsible for patient responsibility balances, including deductibles and coinsurance, which vary in amount. The Health System estimates transaction price for patients with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any explicit price concessions, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to net patient service revenue in the period of change. There were no significant adjustments arising from a change in the transaction price in either 2021 or 2020.

Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenues are reported at the estimated net realizable amounts due from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers.

The Health System is reimbursed for services provided to patients under certain programs administered by governmental agencies. Laws and regulations governing the Medicare and Medi-Cal programs are complex and subject to interpretation. Compliance with such laws and regulations can be subject to future governmental review and interpretation, as well as significant regulatory action, including fines, penalties, and exclusion from the Medicare and Medi-Cal programs. The Health System believes it is in compliance with all applicable laws and regulations governing the Medicare and Medi-Cal programs and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing that may have a material impact on the accompanying consolidated financial statements.

Net patient service revenues by major payer source, net of price concessions, is as follows:

	<b>Year Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
Medicare	\$ 1,093,380	\$ 991,726
Medi-Cal	216,450	198,423
Commercial and Managed Care	3,437,748	3,005,730
Self-pay and other	222,953	151,297
Net patient service revenues	<u>\$ 4,970,531</u>	<u>\$ 4,347,176</u>



## Cedars-Sinai Health System

### Notes to Consolidated Financial Statements (continued) (Dollar Amounts Expressed in Thousands)

#### 2. Summary of Significant Accounting Policies (continued)

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

	<u>2021</u>	<u>2020</u>
Inpatient services	62%	62%
Outpatient services	38%	38%

The administrative procedures related to the cost reimbursement programs in effect generally preclude final determination of amounts due until cost reports are audited or otherwise reviewed and settled upon with the applicable administrative agencies. Estimation differences between final settlements and amounts accrued in previous years are reported as adjustments of the current year's net patient service revenues.

The Health System provides charity care to patients who meet certain criteria under its financial assistance policy. This policy defines charity care as uncompensated services provided to patients who cannot afford health care because of inadequate resources and/or who are uninsured. The Health System does not report charity care as net patient service revenues. During the years ended June 30, 2021 and 2020, the Health System incurred \$47,047 and \$43,915, respectively, in costs to provide charity care, which is calculated based on a ratio of cost to gross charges and then multiplying that ratio by gross uncompensated charges associated with providing care to charity patients.

#### Medi-Cal Fee Program

As part of the American Recovery and Reinvestment Act economic stimulus package passed in 2009, Congress temporarily increased the Federal Medical Assistance Percentage (FMAP) for all states, allowing states to draw down increased federal dollars for hospitals that provide medical care for Medicaid patients. California hospitals organized to pursue this stimulus funding through the California Hospital Fee Programs (the Programs). Passed into law by the California state government and approved by the Centers for Medicare and Medicaid Services (CMS) in fiscal 2012, the Programs provide enhanced revenues related to provision of services to Medicaid patients, offset to a degree by the requirement to pay a fee (known as the Quality Assurance (QA) Fee) based on established rates applied to each hospital's historical patient days. Supplemental payments received meet all criteria related to revenue recognition, and the related QA Fees are

## Cedars-Sinai Health System

### Notes to Consolidated Financial Statements (continued) (Dollar Amounts Expressed in Thousands)

#### **2. Summary of Significant Accounting Policies (continued)**

both probable and estimable. Accordingly, related supplemental payments have been recognized as revenue and related QA Fees recognized as expense in the consolidated statements of operations and changes in net assets pertaining to the 30-month Program covering the period from January 1, 2017 through June 30, 2019, and a 30-month Program covering the period from July 1, 2019 through December 31, 2021.

Specifically, total QA Fees incurred by the Health System were \$133,338 and \$127,658 for the years ended June 30, 2021 and 2020, respectively, while revenue from the Program totaled \$119,427 and \$113,755 for the years ended June 30, 2021 and 2020, respectively. In connection with the Program, the Health System applied for a grant from the California Health Foundation & Trust related to future shortfalls from the Programs. The Health System recorded \$13,911 and \$13,903 for this grant in other operating revenues for the years ended June 30, 2021 and 2020, respectively.

#### **Premium Revenues**

The Health System has agreements with various health maintenance organizations (HMOs) to provide medical services to subscribing participants. Under these agreements, monthly capitation payments are received based on the number of each HMO's participants, regardless of services performed. These agreements also contain risk-sharing provisions with medical groups, whereby additional amounts may be due or paid. In addition, the HMOs make fee-for-service payments for non-capitated services based upon discounted fee schedules. The monthly capitation payments received are recorded as premium revenues.

The costs of health services provided by other health care providers to the participants, including administrative costs and out-of-area or emergency services, are included in professional fees, and totaled approximately \$90,865 and \$77,788 for the years ended June 30, 2021 and 2020, respectively. Such costs are accrued in the period in which the services are provided based in part on estimates, including an accrual for services provided by others, but not reported to the Health System.

## Cedars-Sinai Health System

### Notes to Consolidated Financial Statements (continued) (Dollar Amounts Expressed in Thousands)

#### **2. Summary of Significant Accounting Policies (continued)**

##### **Other Operating Revenues**

The Health System has additional revenue streams from tuition, health professionals, rental properties, and parking. Revenue is recognized when obligations under the terms of the contract are satisfied. Revenues from these services are measured as the amount of consideration the Health System expects to receive for those services. For the years ended June 30, 2021 and 2020, the Health System recognized \$119,053 and \$141,921 in COVID-19 Relief Funds from the Coronavirus Aid, Relief and Economic Securities Act (CARES Act), respectively, which has been recorded in other operating revenues as further described in Note 12.

##### **Net Assets Released From Restrictions**

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give cash and indications of intentions to give are not recognized until the conditions are satisfied or removed. The gifts are reported as with donor restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported on the consolidated statements of operations and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as without donor-restricted contributions in the accompanying consolidated financial statements as other operating revenues.

##### **Excess of Revenues Over Expenses**

The consolidated statements of operations and changes in net assets include the excess of revenues over expenses, which is considered the performance indicator. Changes in net assets without donor restrictions, which are excluded from the excess of revenues over expenses, include contributions of long-lived assets (including assets acquired using contributions which, by donor restrictions, were to be used for the purposes of acquiring such assets) and changes in pension plan liabilities.

##### **Inventory**

Inventory is stated at cost (using the first-in, first-out method), which is not in excess of net realizable value.

## Cedars-Sinai Health System

### Notes to Consolidated Financial Statements (continued) (Dollar Amounts Expressed in Thousands)

#### 2. Summary of Significant Accounting Policies (continued)

##### Other Noncurrent Assets

Other noncurrent assets consist of the following:

	<b>June 30</b>	
	<b>2021</b>	<b>2020</b>
Investments without readily determinable fair value	\$ 97,219	\$ 97,724
Property held for future use	94,019	99,192
Other	65,741	56,286
	<u>\$ 256,979</u>	<u>\$ 253,202</u>

The Health System has investments in unconsolidated entities that are accounted for cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for an identical or similar investment of the same issuer, as fair value for these investments is not readily determinable. The Health System evaluates these investments for impairment annually or when indicators of impairment exist. No indicators of impairment existed as of June 30, 2021 or 2020. Based on observable transactions, the Health System recorded increases of \$1,382 and \$22,133 for the years ended June 30, 2021 and 2020, respectively.

##### Goodwill

Goodwill represents the excess of the consideration paid over the fair value of the net assets acquired, including identifiable intangible assets. The Health System amortizes goodwill in accordance with the goodwill accounting alternative in ASC 350, *Intangible – Goodwill and Other* which allows not-for-profit entities to amortize goodwill on a straight-line basis over ten years and perform a one-step impairment test at the entity level only when an impairment indicator exists.

The Health System concluded no indicators of impairment existed as of June 30, 2021 and 2020. For the years ended June 30, 2021 and 2020, the Health System recorded additional goodwill of \$1,825 and \$0, respectively, and recorded amortization of goodwill totaling \$23,144 and \$23,053, respectively. At June 30, 2021 and 2020, goodwill totaled \$163,639 and \$184,958, respectively.

## Cedars-Sinai Health System

### Notes to Consolidated Financial Statements (continued) (Dollar Amounts Expressed in Thousands)

#### 2. Summary of Significant Accounting Policies (continued)

##### Care of the Poor and Community Benefit (Unaudited)

The Health System's mission is to improve the health status of its community, regardless of the patient's ability to pay, including charity care patients. The Health System provides programs and activities that contribute to charity care, care of the poor, and community benefit. These programs and activities serve a majority of persons who are beneficiaries of Medi-Cal, and county, state, and federal programs for which the costs of providing the services are not fully reimbursed. Also included are activities that improve the community's health status and educate or provide social services to the elderly and children. The Health System's unreimbursed costs for care of the poor and community benefits were approximately 18.8% and 20.2% of total operating expenses for the years ended June 30, 2021 and 2020, respectively. The costs associated with these programs and activities are as follows:

	<b>Year Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
Traditional charity care and uninsured patients (Category 1)	\$ 47,047	\$ 43,915
Unpaid cost of state programs (Category 2)	112,749	103,994
Unpaid cost of specialty government programs (Category 3)	3,798	2,363
Unpaid cost of federal programs (Category 4)	455,237	461,989
Research (Category 5)	252,536	239,768
Community benefit (Category 6)	148,037	139,174
Total community benefit	1,019,404	991,203
A portion of the above cost was supported by the help of:		
Federal, state, and local grants	107,571	100,282
Charitable giving	44,429	49,211
Community benefit, net of support by others	\$ 867,404	\$ 841,710

## Cedars-Sinai Health System

### Notes to Consolidated Financial Statements (continued) (Dollar Amounts Expressed in Thousands)

#### 2. Summary of Significant Accounting Policies (continued)

The Health System uses the following six categories to classify care of the poor and community benefit (unaudited):

Category 1: Traditional Charity Care and Uninsured Patients (care of the poor) – includes the cost of services provided to persons who cannot afford health care because of inadequate resources and/or who are uninsured. If there is any subsidy donated for these services, that amount is deducted from the gross amount.

Category 2: Unpaid Cost of State Programs – also benefits the poor, but is listed separately. This amount represents the unpaid cost of services provided to patients in the Medi-Cal program or enrolled in HMO and Preferred Provider Option (PPO) plans under contract with the Medi-Cal program.

Category 3: Unpaid Costs of Specialty Government Programs – also provides community benefit under such programs as the Veterans Administration, Los Angeles Police Department, Short Doyle, Proposition 99, and other programs to benefit the poor. This amount represents the unpaid cost of services provided to patients in these various programs. If this community benefit was not provided, federal, state, or local governments would need to furnish these services.

Category 4: Unpaid Cost of Federal Programs – primarily benefits the elderly. This amount represents the unpaid cost of services provided to patients in the Medicare program and enrolled in HMO and PPO plans under contract with the Medicare program. Included in these amounts are \$45,407 and \$49,481 for the years ended June 30, 2021 and 2020, respectively, of unpaid cost of services provided to patients in the Medicare program who are also in the Medi-Cal program.

Category 5: Research – is the cost of providing translational and clinical research and studies on health care delivery. During the years ended June 30, 2021 and 2020, the Health System received outside support for its research efforts totaling \$152,000 and \$149,493, respectively. Thus, for the years ended June 30, 2021 and 2020, the net cost incurred by the Health System was \$100,536 and \$90,275, respectively.

## Cedars-Sinai Health System

### Notes to Consolidated Financial Statements (continued) (Dollar Amounts Expressed in Thousands)

#### 2. Summary of Significant Accounting Policies (continued)

Category 6: Community Benefit – is the cost of services that are beneficial to the broader community, i.e., other needy populations that may not qualify as poor, but that need special services and support. Examples include the elderly, substance abusers, the homeless, victims of child abuse, and persons with Acquired Immune Deficiency Syndrome (AIDS). They also include the cost of health promotion and education and health clinics and screenings.

#### Property and Equipment

Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Interest costs incurred during the period of construction of capital assets are capitalized as a component of the cost of acquiring those assets.

Gifts of long-lived assets, such as land, buildings, or equipment that do not contain explicit donor stipulations, which specify how the donated assets must be used, are reported as support without donor restrictions and are excluded from excess of revenue over expenses. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

The Health System accounts for software development costs in accordance with ASC 350, *Intangible – Goodwill and Other, Internal-Use Software (Subtopic 350-40)*. All costs incurred in the planning stage of developing the software are expensed as incurred, as are internal and external training costs and maintenance costs. External and internal costs, excluding general and administrative costs and overhead costs incurred during the applicable development stage of internally used software, are capitalized. Such costs include external direct costs of materials and services consumed in development or obtaining the software, payroll, and payroll-related costs for employees who are directly associated with and who devote time to developing the software. Development changes that result in appropriate functionality of the software, which enable it to perform tasks that it was previously incapable of performing, are also capitalized.

Capitalized internal-use software development costs are amortized on a straight-line basis over their estimated useful life of three to seven years. Amortization begins when all substantial testing of the software is completed and the software is ready for its intended use.

# Cedars-Sinai Health System

## Notes to Consolidated Financial Statements (continued) (Dollar Amounts Expressed in Thousands)

### 2. Summary of Significant Accounting Policies (continued)

#### **Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of**

The Health System accounts for the impairment and disposition of long-lived assets in accordance with ASC 360, *Property, Plant, and Equipment Impairment or Disposal of Long-Lived Assets*. In accordance with ASC 360, long-lived assets to be held are reviewed for events or changes in circumstances that indicate that their carrying value may not be recoverable. The Health System determined that no assets are impaired at June 30, 2021 and 2020.

#### **Assets Limited as to Use**

Assets limited as to use include assets held by trustees that are for the payment of self-insurance liabilities, assets with donor restrictions, assets held by trustees under indenture agreement for future capital expenditures, and managed care capitation reserves. The current portion of assets limited as to use includes amounts that will be used to pay self-insurance classified as current liabilities.

#### **Investments**

The Health System has designated its investments in equity securities with readily determinable fair values and all investments in debt securities as trading, in accordance with ASC 954, *Health Care Entities*. Those securities are measured at fair value in the accompanying consolidated balance sheets. Fair value is determined using a market approach based on quoted prices for similar securities in active markets or quoted prices for identical securities in inactive markets. Management determines the appropriate classification of all investments at the date of purchase and reevaluates such designations at each consolidated balance sheet date.

Investment income or loss on net assets with donor restrictions (including realized and unrealized gains and losses on investments, interest, and dividends) is reported as net assets without donor restrictions activity unless the income or loss is restricted by donor or law.

Cedars-Sinai's and Torrance Memorial's investments are invested in accordance with policies approved by its separate Board of Directors, which include, among other matters, targeted investment returns balanced by diversification of the investment portfolio, establishment of credit risk parameters, and limitation in the amount of investment in any single instrument. As part of its



# Cedars-Sinai Health System

## Notes to Consolidated Financial Statements (continued) (Dollar Amounts Expressed in Thousands)

### **2. Summary of Significant Accounting Policies (continued)**

investment policies and strategies, each entity's Investment Committee meets periodically to review performance. At least annually, the Investment Committee reviews and formulates a specific investment and allocation plan. Any adjustments that are deemed necessary are based on specific criteria, i.e., the entity's necessary funding, obligations, expenses, and liquidity needs.

#### **Alternative Investments**

Certain of the Health System's investments are made through alternative investments, which include investments in limited partnerships and limited liability companies. The Health System generally contracts with fund managers, who have full discretionary authority over investment decisions. The Health System accounts for its ownership interests in the partnerships using the net asset value as a practical expedient for fair value. These investments provide the Health System with a proportionate share of the entities' gains and losses, which are included in investment income on the accompanying consolidated statements of operations and changes in net assets. As of June 30, 2021 and 2020, these alternative investments comprised approximately 11% and 12%, respectively, of the Health System's total cash, cash equivalents, and investments.

Alternative investments include certain other risks that may not exist with other investments that are more widely traded. These risks include reliance on the skill of the fund managers, who often employ complex strategies with various financial instruments, including futures contracts, foreign currency contracts, structured notes, and other investment vehicles. Additionally, alternative investments may have limited information on a fund's underlying assets and valuation, and limited redemption or redemption-penalty provisions. Management believes that the Health System, in consultation with its Investment Committees, has the capacity to analyze and interpret the risks associated with alternative investments and, with this understanding, has determined that investing in these investments creates a balanced approach to its portfolio management.

#### **Risk Pool Liabilities**

Risk pool liabilities include premiums received that are held in reserve for health plan agreements whose beneficiaries are primarily outside THA's service area. The funding, held in a managed care reserve and included in current portion of assets limited as to use in the accompanying consolidated balance sheets, totaled \$ 79,228 and \$89,208 at June 30, 2021 and 2020, respectively.

## Cedars-Sinai Health System

### Notes to Consolidated Financial Statements (continued) (Dollar Amounts Expressed in Thousands)

#### **2. Summary of Significant Accounting Policies (continued)**

##### **Medical Malpractice Insurance**

Cedars-Sinai is self-insured for professional/malpractice liability claims up to \$3,000 per claim on a claims-made basis. Cedars-Sinai is self-insured for general liability claims up to \$3,000 per occurrence on an occurrence basis. The retention aggregate is \$23,000. Cedars-Sinai is covered by hospital malpractice commercial insurance for claims in excess of this amount up to a maximum of \$200,000 per occurrence/claim.

Similarly, Torrance Memorial is self-insured for professional/malpractice liability claims up to \$500 per claim on a claims-made basis. Torrance Memorial is self-insured for general liability claims up to \$500 per occurrence on an occurrence basis. The retention aggregate is \$4,000. Torrance Memorial is covered by hospital malpractice commercial insurance for claims in excess of this amount up to a maximum of \$200,000 per occurrence/claim

Accruals for insured claims, uninsured claims, and claims incurred but not reported are estimated by an actuary based on the Health System's claims experience. Such accruals, which totaled \$89,669 and \$81,243 at June 30, 2021 and 2020, are recorded using a 1.00% and 0.25% discount factor at June 30, 2021 and 2020, respectively. The current portion of the accruals of \$17,224 and \$16,459 at June 30, 2021 and 2020 is included in accounts payable and other accrued liabilities. The basis for the discount rate is the risk-free rate of return at the end of each year and the estimated period over which claims will be settled. The accruals represent the total actuarially determined loss without reduction for the portion that is expected to be recoverable through insurance (\$29,817 and \$18,300 at June 30, 2021 and 2020, respectively). The expected amounts to be recovered through insurance are included in other noncurrent assets on the accompanying consolidated balance sheets.

##### **Workers' Compensation Insurance**

Cedars-Sinai carries workers' compensation insurance insuring employees with a self-insured primary limit of \$1,000. Cedars-Sinai purchases excess insurance coverage on an occurrence basis to cover claims in excess of these amounts with statutory limits for workers' compensation claims and an annual aggregate limit of \$1,000 for employer's liability claims.

## Cedars-Sinai Health System

### Notes to Consolidated Financial Statements (continued) (Dollar Amounts Expressed in Thousands)

#### 2. Summary of Significant Accounting Policies (continued)

Torrance Memorial carries workers' compensation insurance insuring employees with a self-insured primary limit of \$350. Torrance Memorial purchases excess insurance coverage on an occurrence basis to cover claims in excess of these amounts with statutory limits for workers' compensation claims and an annual aggregate limit of \$1,000 for employer's liability claims.

Accruals for insured claims, uninsured claims, and claims incurred but not reported are estimated by an actuary based upon the Health System's claims experience. Such accruals, which totaled \$129,237 and \$135,250 at June 30, 2021 and 2020, respectively, are recorded using a 1.00% and 0.25% discount factor at June 30, 2021 and 2020, respectively. The current portion of the accruals of \$23,762 and \$23,380 at June 30, 2021 and 2020, respectively, is included in accounts payable and other accrued liabilities. The basis of the discount rate is the risk-free rate of return at the end of each year and the estimated period over which claims will be settled. The accruals represent the total actuarially determined loss without reduction for the portion that is expected to be recoverable through insurance (\$18,639 and \$19,867 at June 30, 2021 and 2020, respectively). The expected amounts to be recovered through insurance are included in other noncurrent assets in the accompanying consolidated balance sheets.

#### Cash and Cash Equivalents

The Health System considers all highly liquid debt instruments with original maturity dates at the time of purchase of three months or less to be cash equivalents.

The reconciliation of cash, cash equivalents, and restricted cash within the consolidated balance sheets that comprise the amount reported on the consolidated statements of cash flows at June 30, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 1,248,138	\$ 1,297,325
Restricted cash in assets limited as to use – investments	54,067	131,729
Total cash, cash equivalents, and restricted cash	<u>\$ 1,302,205</u>	<u>\$ 1,429,054</u>

# Cedars-Sinai Health System

## Notes to Consolidated Financial Statements (continued) (Dollar Amounts Expressed in Thousands)

### 2. Summary of Significant Accounting Policies (continued)

#### Fair Value of Financial Instruments

The Health System's consolidated balance sheets include the following financial instruments: cash and cash equivalents, investments, patient accounts receivable, accounts payable and other accrued liabilities, pension liabilities, and long-term obligations. The Health System considers the carrying amounts of current assets and liabilities in the consolidated balance sheets to approximate the fair value of these financial instruments because of the relatively short period of time between origination of the instruments and their expected realization. Pledges receivable, accrued workers' compensation, malpractice insurance claims, and pension liabilities are recorded at their estimated present value using appropriate discount rates. Marketable securities are recorded at fair value based on quoted prices from recognized security exchanges and other methods, as further described in Note 5. Alternative investments are recorded at net asset value, which represents a practical expedient of fair value. Tax-exempt financings are carried at amortized cost. The fair value of tax-exempt financings is estimated based on current market rates, as further described in Note 4.

#### Income Taxes

The Health System and its related affiliates have been determined to qualify as exempt from federal and state income taxes under Section 501(a) as organizations described in Section 501(c)(3) of the Code.

Most of the income received by the Health System is exempt from taxation, as income related to the mission of the organization. Accordingly, there is no material provision for income taxes for these entities. However, some of the income received by the exempt entities is subject to taxation as unrelated business income. The Health System and its subsidiaries file federal and state income tax returns.

The Health System completed an analysis of its tax positions, in accordance with ASC 740, *Income Taxes*, and determined that there are no uncertain tax positions taken or expected to be taken. The Health System has recognized no interest or penalties related to uncertain tax positions. The Health System is subject to routine audits by the taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Health System believes it is no longer subject to income tax examinations for years prior to 2017.

# Cedars-Sinai Health System

## Notes to Consolidated Financial Statements (continued) (Dollar Amounts Expressed in Thousands)

### 2. Summary of Significant Accounting Policies (continued)

#### Concentrations of Credit Risk

Financial instruments, which potentially subject the Health System to concentrations of credit risk, consist primarily of investments and accounts receivable. Investments are made in a variety of financial instruments with prudent diversification requirements. The Health System seeks diversification among its investments by limiting the amount of investments that can be made with any one obligor. The investment portfolio is managed by professional investment managers within the guidelines established by the Cedars-Sinai and Torrance Memorial Boards of Directors, which, as a matter of policy, limit the amounts that may be invested in any one issuer.

The Health System grants credit without collateral to its patients, most of whom are area residents and are insured under third-party agreements. The mix of net receivables from patients and third-party payers as of June 30 is as follows:

	June 30	
	2021	2020
Medicare	15%	18%
Medi-Cal	3	2
Commercial and managed care	74	73
Self-pay and other	8	7
	<u>100%</u>	<u>100%</u>

#### Recent Accounting Pronouncements

In September 2020, the FASB issued Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*, which requires presentation of contributed nonfinancial assets as a separate line in the consolidated statement of operations, apart from contributions of cash or other financial assets. The objective of the ASU is to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations. ASU 2020-07 is effective retrospectively for annual reporting periods beginning after June 15, 2021, and interim periods within annual reporting periods beginning after June 15, 2022, with early adoption permitted. The Health System is currently evaluating the impact of this new standard on the consolidated financial statements.

## Cedars-Sinai Health System

### Notes to Consolidated Financial Statements (continued) (Dollar Amounts Expressed in Thousands)

#### **2. Summary of Significant Accounting Policies (continued)**

In August 2018, the FASB issued ASU 2018-15, *Intangibles – Goodwill and Other – Internal-Use Software (Topic 350): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*, which aligns the requirements for deferring implementation costs incurred in a cloud computing arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. ASU 2018-15 is effective for annual periods beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021, with early adoption permitted. The Health System is currently evaluating the impact of this new standard on the consolidated financial statements.

In August 2018, the FASB issued ASU 2018-14, *Compensation – Retirement Benefits – Defined Benefit Plans – General (Subtopic 715-20): Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans*, which improves the effectiveness of disclosures in the notes to financial statements by modifying disclosure requirements for employers that sponsor defined benefit pension or other postretirement benefit plans. The ASU is effective for annual reporting periods beginning after December 15, 2021, with early adoption permitted. The Health System is currently evaluating the impact of this new standard on the consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*, which improves the effectiveness of disclosures in the notes to financial statements by modifying disclosure requirements for fair value measurements. The Health System adopted the new ASU on July 1, 2020. The adoption of ASU 2018-13 did not have a material impact on the consolidated financial statements.

## Cedars-Sinai Health System

### Notes to Consolidated Financial Statements (continued) (Dollar Amounts Expressed in Thousands)

#### 3. Property and Equipment

Property and equipment consist of the following:

	June 30	
	2021	2020
Land	\$ 297,984	\$ 258,962
Buildings and land improvements	3,757,318	3,203,068
Equipment	715,408	654,453
Software and software implementation costs	846,002	708,573
	5,616,712	4,825,056
Less accumulated depreciation and amortization	2,431,623	2,204,346
	3,185,089	2,620,710
Construction-in-progress	311,282	788,890
	\$ 3,496,371	\$ 3,409,600

Depreciation and amortization expense on property and equipment was \$230,727 and \$207,787 for the years ended June 30, 2021 and 2020, respectively.

Construction-in-progress consists of the following:

	June 30	
	2021	2020
Buildings and land improvements	\$ 271,864	\$ 646,554
Equipment	20,057	19,925
Software and software implementation costs	12,598	99,560
Capitalized interest	6,763	22,851
	\$ 311,282	\$ 788,890

## Cedars-Sinai Health System

### Notes to Consolidated Financial Statements (continued) (Dollar Amounts Expressed in Thousands)

#### 4. Long-Term Debt

Cedars-Sinai and Torrance Memorial have public bonds. The entities do not assume any financial obligations related to payment of debt issued by each other. The revenue of each entity (excluding its affiliated or subsidiary organizations) is pledged to secure the payment of the principal and interest on all bonds and certificates under its separate Master Trust Indentures (Indentures). The Indentures contain covenants restricting additional debt and providing for the maintenance of certain financial ratios. Both entities were in compliance with these covenants at June 30, 2021 and 2020. Long-term debt issued and outstanding at June 30 is as follows:

	June 30	
	2021	2020
<b>Cedars-Sinai</b>		
\$148,400 Revenue Bonds, Series 2011; one principal payment of \$19,845 is due through August 2021; interest is payable semiannually at 4.0% to 5.0%; the amount reported includes a face value of \$19,845 and \$38,745, unamortized premiums of \$43 and \$434, and unamortized deferred financing costs of \$4 and \$43 at June 30, 2021 and 2020, respectively.	\$ 19,884	\$ 39,136
\$370,220 Revenue Bond, Series 2015; principal payments of \$6,910 to \$39,680 are due annually through November 2035; interest is payable semiannually at 3.0% to 5.0%; the amount reported includes a face value of \$361,500 and \$368,120, unamortized premiums of \$35,877 and \$41,606, and unamortized deferred financing costs of \$1,280 and \$1,502 at June 30, 2021 and 2020, respectively.	396,097	408,224
\$267,420 Revenue Bond, Series 2016A; principal payments of \$6,725 to \$38,905 are due annually through August 2036; interest is payable semiannually at 5.0%; the amount reported includes a face value of \$244,520 and \$250,915, unamortized premiums of \$35,075 and \$38,695, and unamortized deferred financing costs of \$1,019 and \$1,124 at June 30, 2021 and 2020, respectively.	278,576	288,486
\$402,305 Revenue Bond, Series 2016B; principal payments of \$1,705 to \$66,900 are due annually through August 2039; interest is payable semiannually at 3.0% to 5.0%; the amount reported includes a face value of \$400,680 and \$402,305, unamortized premiums of \$24,910 and \$26,617, and unamortized deferred financing costs of \$1,802 and \$1,931 at June 30, 2021 and 2020, respectively.	423,788	426,991
Other notes payable, secured by deeds of trust	14,667	24,242
Cedars-Sinai total	\$ 1,133,012	\$ 1,187,079



## Cedars-Sinai Health System

### Notes to Consolidated Financial Statements (continued) (Dollar Amounts Expressed in Thousands)

#### 4. Long-Term Debt (continued)

	June 30	
	2021	2020
<b>Torrance Memorial</b>		
\$135,000 Revenue Bonds, Series 2010A; principal payments of \$2,250 to \$12,290 are due annually through September 2040; interest is payable semiannually at 3.0% to 5.0%; the amount reported includes unamortized premiums of \$6,313 and unamortized deferred financing costs of \$1,415 at June 30, 2020; paid down callable bonds in fiscal year 2021.	\$	– \$ 131,803
\$64,860 Revenue Bonds, Series 2010B; principal payments are due semiannually through September 2045; interest is payable based on a variable rate ranging from 1.3% to 3.5%; the amount reported includes a face value of \$62,520 and \$63,020, unamortized discounts of \$0 and \$0, and unamortized deferred financing costs of \$911 and \$949 at June 30, 2021 and 2020, respectively.	<b>61,609</b>	62,071
\$35,140 Revenue Bonds, Series 2010C; principal payments are due semiannually through September 2045; interest is payable semiannually based on a variable rate ranging from 1.3% to 3.5%; the amount reported includes a face value of \$33,860 and \$34,135, unamortized discounts of \$0 and \$0, and unamortized deferred financing costs of \$403 and \$420 at June 30, 2021 and 2020, respectively.	<b>33,457</b>	33,715
\$34,795 Revenue Notes, Series 2016A; principal payments of \$2,020 to \$2,700 are due annually through December 2026; interest is payable semiannually at 2.4%; the amount reported includes a face value of \$26,590 and \$28,695, unamortized discounts of \$333 and \$395, and unamortized deferred financing costs of \$120 and \$142 at June 30, 2021 and 2020, respectively.	<b>26,137</b>	28,158
\$30,000 Revenue Notes, Series 2016B; principal payments of \$2,770 to \$3,285 are due annually through December 2026; interest is payable semiannually at 2.3%; the amount reported includes a face value of \$18,755 and \$21,645, unamortized discounts of \$296 and \$351, and unamortized deferred financing costs of \$117 and \$138 at June 30, 2021 and 2020, respectively.	<b>18,342</b>	21,156
\$124,655 Revenue Bonds, Series 2020A; principal payments of \$2,365 to \$12,290 are due annually through September 2040; interest is payable monthly at 1.1% to 3.5%; the amount reported includes a face value of \$124,655, unamortized discounts of \$0, and unamortized deferred financing costs of \$160 at June 30, 2021.	<b>124,495</b>	–
Other notes payable	<b>503</b>	503
Torrance Memorial total	<b>264,543</b>	277,406
Cedars-Sinai and Torrance Memorial total	<b>1,397,555</b>	1,464,485
Less current maturities for Cedars-Sinai and Torrance Memorial	<b>53,899</b>	62,088
	<b>\$ 1,343,656</b>	<b>\$ 1,402,397</b>

## Cedars-Sinai Health System

### Notes to Consolidated Financial Statements (continued) (Dollar Amounts Expressed in Thousands)

#### 4. Long-Term Debt (continued)

The weighted average interest rate for CSMC's bonds was 3.59% and 3.58% at June 30, 2021 and 2020, respectively.

In December 2012, CSMC entered into a \$50,000 credit agreement (the Agreement) with a bank that will expire in February 2023. CSMC may borrow under the Agreement with interest charged at either the London Interbank Offered Rate (LIBOR) plus an applicable margin of 0.375% based on CSMC's Moody's rating (currently Aa3), or at the greater of the bank's fluctuating prime rate minus 1.5%, or 1.0%. At June 30, 2021, the three-month LIBOR was 0.3% and the bank's prime rate was 3.3%. Cedars-Sinai Medical Center also pays a 0.125% annual commitment fee on the unused credit line. The Agreement is secured on a parity basis under the Bond Indenture with the tax-exempt financings of CSMC. No amounts have been borrowed under the Agreement.

In February 2019, CSMC entered into a new \$50,000 credit agreement with another bank that will expire in February 2024. The terms are substantially similar to the Agreement described above, except the commitment fee on the unused credit line is 0.10% as of June 30, 2021, and the applicable margin is 0.60% based on CSMC's maintaining its Moody's rating. No amounts have been borrowed under this agreement.

The weighted average interest rate for TMMC's bonds was 3.99% and 3.65% at June 30, 2021 and 2020, respectively.

In August 2020, TMMC issued Torrance Memorial Medical Center Taxable Refunding Bonds, Series 2020 A (Series 2020 A Bonds) in the aggregate principal amount of \$124,655. The proceeds of the Series 2020 A were used to refund the outstanding balance of the City of Torrance Revenue Bonds, Series 2010 A. Effective August 25, 2020, TMMC entered into a direct purchase agreement with Barclays Capital Inc. (Barclays), where Barclays agreed to lend to TMMC an amount equal to the aggregate principal amount of the Series 2020 A Bonds. Under terms and conditions of this agreement, the interest rate is a variable rate that is a function of the one-month LIBOR based on the credit rating of Series 2020 A Bonds. The final maturity date is up to 20 years, with a mandatory tender date of November 30, 2022. Total issuance costs of \$160 was incurred in connection with the issuance. A gain on extinguishment of debt of \$4,857 was recognized, which represents the difference between the amount paid and the net carrying value of the retired bonds.

## Cedars-Sinai Health System

### Notes to Consolidated Financial Statements (continued) (Dollar Amounts Expressed in Thousands)

#### 4. Long-Term Debt (continued)

The combined aggregate amount of maturities and sinking fund requirements (excluding the unamortized net premium of \$95,276 and unamortized deferred financing costs of \$5,816 at June 30, 2021) for the five fiscal years succeeding June 30, 2021 and thereafter is as follows:

2022	\$ 43,455
2023	45,948
2024	47,580
2025	49,760
2026	52,055
Thereafter	<u>1,069,297</u>
	<u>\$ 1,308,095</u>

For the years ended June 30, 2021 and 2020, interest costs incurred totaled \$45,101 and \$51,397, respectively, of which \$7,791 and \$13,423, respectively, was capitalized as part of the cost of construction-in-progress.

#### 5. Retirement Plans

In 1990, the Board of Directors of Cedars-Sinai authorized the suspension of Cedars-Sinai's non-contributory, defined benefit plan, which covered substantially all eligible employees (the Suspended Employee Plan). Benefit accruals under the Suspended Employee Plan were suspended effective December 31, 1990.

In 1991, Cedars-Sinai implemented a defined contribution plan (the Cedars-Sinai Defined Contribution Plan), covering substantially all employees covered under the Suspended Employee Plan. Contributions under the Cedars-Sinai Defined Contribution Plan are calculated based on each employee's years of service and salary and totaled \$56,679 and \$53,099 for the years ended June 30, 2021 and 2020, respectively. Effective July 1, 2003, Cedars-Sinai offers a noncontributory defined benefit plan (Cedars-Sinai Defined Benefit Plan) to its employees. Contributions under this plan totaled \$40,000 and \$77,851 for the years ended June 30, 2021 and 2020, respectively. Employees have the choice of participation in either the Cedars-Sinai Defined Benefit Plan or the Cedars-Sinai Defined Contribution Plan and can change the selection once during their employment.

## Cedars-Sinai Health System

### Notes to Consolidated Financial Statements (continued) (Dollar Amounts Expressed in Thousands)

#### **5. Retirement Plans (continued)**

Cedars-Sinai employees participate in a 403(b) plan sponsored by Cedars-Sinai. Under the provisions of the plan, participating employees may make voluntary contributions up to 100% of pretax annual compensation, subject to statutory limitations. Cedars-Sinai contributes 50% of the first 6% of compensation that a participant contributes to the plan. Cedars-Sinai's contributions related to the 403(b) plan amounted to approximately \$28,171 and \$26,435 for the years ended June 30, 2021 and 2020, respectively.

In addition, certain key employees of Cedars-Sinai are covered by separate defined contribution and defined benefit retirement plans, which are not governed by the Employee Retirement Income Security Act of 1974. Contributions under these plans are calculated based on each key employee's salary and totaled \$29,146 and \$25,480 for the years ended June 30, 2021 and 2020, respectively.

Torrance Memorial has a noncontributory defined benefit retirement plan (the THA Defined Benefit Plan) under which employees, upon retirement, are provided a monthly pension if conditions related to age and length of service have been met. On February 26, 2020, Torrance Memorial amended the THA Defined Benefit Plan to cease benefit accruals and freeze plan participation effective June 27, 2020. The plan amendment reduced the benefit obligation by \$37,790 as of February 26, 2020, which was recorded as a curtailment gain in the consolidated statements of operations and changes in net assets. In addition, with the plan freeze, the amortization of outstanding gains and losses has been changed from expected future service to expected future lifetime of the plan population.

On January 1, 2010, Torrance Memorial began a new 401(a) defined contribution plan (THA 401(a) Plan). Torrance Memorial employees hired on or after January 1, 2010, and who are at least 21 years of age, are eligible to participate in the THA 401(a) Plan. Under the provisions of the THA 401(a) Plan, employees become members on January 1 or July 1, whichever is sooner, following the completion of one year of employment in which the employee was credited with at least 1,000 hours of service. Contributions to the THA 401(a) Plan are made entirely by Torrance Memorial and range from 3% to 6% of annual compensation prior to June 27, 2020, based on years of service. Contributions to employee accounts vest based upon years of service, with accounts becoming fully vested upon completion of five years of service with Torrance Memorial. Following the freeze of the THA Defined Benefit Plan effective June 27, 2020, all eligible employees previously participating in the THA Defined Benefit Plan were transferred to the THA 401(a) Plan and the contributions to the THA 401(a) Plan by Torrance Memorial now range from 3% to 11% of annual compensation, based on years of service, with no changes to the vesting conditions.

## Cedars-Sinai Health System

### Notes to Consolidated Financial Statements (continued) (Dollar Amounts Expressed in Thousands)

#### 5. Retirement Plans (continued)

Torrance Memorial's contributions to the THA 401(a) Plan amounted to approximately \$17,092 and \$5,160 for the years ended June 30, 2021 and 2020, respectively.

Torrance Memorial's employees participate in a 403(b) plan sponsored by THA. Under the provisions of the plan, participating employees may make voluntary contributions through salary deductions. Torrance Memorial matches eligible employee contributions at rates between 20% and 100% with a maximum limit of eight hundred dollars per year based upon years of service with Torrance Memorial. Torrance Memorial's contributions related to the 403(b) plan amounted to approximately \$0 and \$1,296 for the years ended June 30, 2021 and 2020, respectively.

In addition, Torrance Memorial has recorded liabilities for pension benefits of \$877 and \$6,928 as of June 30, 2021 and 2020, respectively, relating to Torrance Memorial's other retirement plans.

The following tables present information related to changes in projected benefit obligations, plan assets and their composition, funded status, the accumulated benefit obligation, and net periodic pension cost for all Cedars-Sinai and THA defined benefit plans (the Plans) at June 30, 2021 and 2020, and for the years then ended. Cedars-Sinai contributed \$13,137 to fund the Cedars-Sinai Defined Benefit Plan in September 2021.

	Year Ended June 30, 2021		
	Cedars- Sinai	THA	Total
Change in projected benefit obligations:			
Projected benefit obligation at beginning of year	\$ 758,605	\$ 510,117	\$ 1,268,722
Service cost	46,887	-	46,887
Interest cost	17,210	12,031	29,241
Actuarial losses	31,098	11,202	42,300
Benefits paid	(20,689)	(17,014)	(37,703)
Settlements	(6,370)	-	(6,370)
Amendments	-	(479)	(479)
Projected benefit obligation at end of year	<u>826,741</u>	<u>515,857</u>	<u>1,342,598</u>
Change in plan assets:			
Fair value of plan assets at beginning of year	636,287	389,030	1,025,317
Actual gain on plan assets	149,065	99,916	248,981
Employer contributions	40,000	5,400	45,400
Benefits paid	(20,689)	(17,014)	(37,703)
Expenses paid	(1,089)	-	(1,089)
Settlements	(6,370)	-	(6,370)
Fair value of plan assets at end of year	<u>797,204</u>	<u>477,332</u>	<u>1,274,536</u>
Funded status	<u>\$ (29,537)</u>	<u>\$ (38,525)</u>	<u>\$ (68,062)</u>

## Cedars-Sinai Health System

### Notes to Consolidated Financial Statements (continued) (Dollar Amounts Expressed in Thousands)

#### 5. Retirement Plans (continued)

	June 30, 2021	
	Cedars-Sinai	THA
Composition of plan assets:		
Short-term money market funds	9%	6%
Government and corporate debt	6	23
U.S. government agencies and asset backed securities	1	4
Equity securities	14	28
Mutual funds	63	39
Common/collective trusts	7	–
	100%	100%

	June 30, 2021		
	Cedars-Sinai	THA	Total
Amounts recognized as pension liability in the consolidated balance sheet	\$ 29,537	\$ 38,525	\$ 68,062
Accumulated benefit obligation	\$ 779,131	\$ 515,857	\$ 1,294,988

	Year Ended June 30, 2021		
	Cedars-Sinai	THA	Total
Net periodic benefit cost recognized:			
Service cost	\$ 46,887	\$ –	\$ 46,887
Interest cost	17,210	12,031	29,241
Expected return on plan assets	(38,235)	(23,032)	(61,267)
Amortization of net loss	18,404	2,183	20,587
Amortization of prior service costs	270	–	270
Net periodic benefit cost	\$ 44,536	\$ (8,818)	\$ 35,718

	June 30, 2021	
	Cedars-Sinai	THA
Weighted average assumptions used to determine benefit obligations consist of the following:		
Discount rate used to determine service cost	3.05%	N/A
Discount rate used to determine projected benefit obligation	2.81	2.81
Expected long-term rate of return on plan assets	5.75	6.00
Rate of increase in future compensation levels	4.00	N/A

## Cedars-Sinai Health System

### Notes to Consolidated Financial Statements (continued) (Dollar Amounts Expressed in Thousands)

#### 5. Retirement Plans (continued)

	<b>Year Ended June 30, 2020</b>		
	<b>Cedars- Sinai</b>	<b>THA</b>	<b>Total</b>
Change in projected benefit obligations:			
Projected benefit obligation at beginning of year	\$ 652,646	\$ 459,358	\$ 1,112,004
Service cost	42,866	16,663	59,529
Interest cost	20,976	15,169	36,145
Actuarial losses	64,770	70,121	134,891
Benefits paid	(18,806)	(13,404)	(32,210)
Settlements	(3,847)	–	(3,847)
Curtailments	–	(37,790)	(37,790)
Projected benefit obligation at end of year	758,605	510,117	1,268,722
Change in plan assets:			
Fair value of plan assets at beginning of year	562,046	373,077	935,123
Actual gain on plan assets	20,281	(11,575)	8,706
Employer contributions	77,851	40,932	118,783
Benefits paid	(18,806)	(13,404)	(32,210)
Expenses paid	(1,238)	–	(1,238)
Settlements	(3,847)	–	(3,847)
Fair value of plan assets at end of year	636,287	389,030	1,025,317
Funded status	\$ 122,318	\$ 121,087	\$ 243,405

	<b>June 30, 2020</b>	
	<b>Cedars-Sinai</b>	<b>THA</b>
Composition of plan assets:		
Short-term money market funds	14%	10%
Government and corporate debt	8	25
U.S. government agencies and asset-backed securities	–	6
Equity securities	10	25
Mutual funds	64	10
Common/collective trusts	4	24
	100%	100%

## Cedars-Sinai Health System

### Notes to Consolidated Financial Statements (continued) (Dollar Amounts Expressed in Thousands)

#### 5. Retirement Plans (continued)

	<b>June 30, 2020</b>		
	<b>Cedars-Sinai</b>	<b>THA</b>	<b>Total</b>
Amounts recognized as pension liability in the consolidated balance sheet	\$ 122,318	\$ 121,087	\$ 243,405
Accumulated benefit obligation	\$ 715,650	\$ 510,117	\$ 1,225,767

	<b>Year Ended June 30, 2020</b>		
	<b>Cedars-Sinai</b>	<b>THA</b>	<b>Total</b>
Net periodic benefit cost recognized:			
Service cost	\$ 42,866	\$ 16,663	\$ 59,529
Interest cost	20,976	15,169	36,145
Expected return on plan assets	(34,565)	(24,626)	(59,191)
Amortization of net loss	10,627	–	10,627
Amortization of prior service costs	270	–	270
Net periodic benefit cost	\$ 40,174	\$ 7,206	\$ 47,380

	<b>June 30, 2020</b>	
	<b>Cedars-Sinai</b>	<b>THA</b>
Weighted average assumptions used to determine benefit obligations consist of the following:		
Discount rate used to determine service cost	3.85%	3.83%
Discount rate used to determine projected benefit obligation	2.87	2.90
Expected long-term rate of return on plan assets	5.75	6.25
Rate of increase in future compensation levels	4.00	4.00

The expected rate of return on plan assets is updated annually, taking into consideration the Plans' asset allocation, historical returns on the types of assets held in the trusts, and the current economic environment.



## Cedars-Sinai Health System

### Notes to Consolidated Financial Statements (continued) (Dollar Amounts Expressed in Thousands)

#### 5. Retirement Plans (continued)

Amounts included in net assets without donor restrictions that have not been recognized in net periodic pension cost as of June 30, 2021, are as follows:

	<b>Cedars-Sinai</b>	<b>THA</b>	<b>Total</b>
Unrecognized prior service costs	\$ 338	\$ (479)	\$ (141)
Unrecognized prior loss	143,294	44,735	188,029
	\$ 143,632	\$ 44,256	\$ 187,888

Amounts included in net assets without donor restrictions that have not been recognized in net periodic pension cost as of June 30, 2020, are as follows:

	<b>Cedars-Sinai</b>	<b>THA</b>	<b>Total</b>
Unrecognized prior service costs	\$ 607	\$ –	\$ 607
Unrecognized prior loss	241,616	112,601	354,217
	\$ 242,223	\$ 112,601	\$ 354,824

The unrecognized prior losses and unamortized prior service costs expected to be recognized over the fiscal year ending June 30, 2022 are \$10,996 and \$270, respectively, for the Cedars-Sinai Defined Benefit Plan and \$0 and (\$17), respectively, for the THA Defined Benefit Plan.

#### Plans Assets

Approximately 97% of plan assets relate to long-term investment activities covering the Health System's general employee population. The other 3% of the assets relate to a special plan for highly compensated employees closer to retirement age. The combined target allocation is 40%–80% equities, 0%–30% fixed income, and 10%–50% short-term instruments. All investments are highly liquid.

## Cedars-Sinai Health System

### Notes to Consolidated Financial Statements (continued) (Dollar Amounts Expressed in Thousands)

#### 5. Retirement Plans (continued)

The Health System uses a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instruments. This includes model-derived valuations whose significant inputs are observable.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Fair values are based on the market approach valuation technique, which is based on prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

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. The following table presents the financial instruments in the Cedars-Sinai Defined Benefit Plan and THA Defined Benefit Plan carried at fair value as of June 30, 2021 and 2020, by level in the valuation hierarchy.

	Level 1	Level 2	Fair Value
<b>June 30, 2021</b>			
Cash and cash equivalents	\$ 97,214	\$ –	\$ 97,214
Equities	243,126	–	243,126
U.S. government issues	34,521	–	34,521
U.S. government agencies and asset-backed securities	–	21,734	21,734
Corporate bonds	–	136,344	136,344
Mutual funds	689,582		689,582
	<u>\$ 1,064,443</u>	<u>\$ 158,078</u>	1,222,521
Common/collective trusts measured at net asset value			52,015
			<u>\$ 1,274,536</u>

## Cedars-Sinai Health System

### Notes to Consolidated Financial Statements (continued) (Dollar Amounts Expressed in Thousands)

#### 5. Retirement Plans (continued)

	<u>Level 1</u>	<u>Level 2</u>	<u>Fair Value</u>
<b>June 30, 2020</b>			
Cash and cash equivalents	\$ 129,510	\$ –	\$ 129,510
Equities	160,871	–	160,871
U.S. government issues	27,106	–	27,106
U.S. government agencies and asset-backed securities	–	25,153	25,153
Corporate bonds	–	119,418	119,418
Mutual funds	445,726	–	445,726
	<u>\$ 763,213</u>	<u>\$ 144,571</u>	907,784
Common/collective trusts measured at net asset value			117,533
			<u>\$ 1,025,317</u>

#### Plans' Investment Strategy

The Health System's investment policy generally reflects the long-term nature of the pension plans' funding obligations. Assets are invested to achieve a rate of return consistent with policy allocation targets, which significantly contributes to meeting the current and future obligations of the plans, and strives to help ensure solvency of the plans over time. This objective is to be achieved through a well-diversified asset portfolio and emphasis on long-term capital appreciation as a primary source of return. The plans utilize a multi-manager structure of complementary investment styles and classes. Manager qualitative performance is continually evaluated, while a manager's investment performance is judged over an investment market cycle of at least three years.

Plans assets are exposed to risk and fluctuations in market value from year to year. To minimize risk, each manager maintains a diversification of their portfolio to insulate the portfolio from substantial losses in any single security or sector of the market. The asset allocation is reviewed for deviations in the allowable range for each asset class, and rebalancing is implemented as necessary.

The long-term rate of return of the plans' investment allocation is designed to be commensurate with a conservatively managed balance allocation. Fixed-income securities consist of investment-grade bonds.

## Cedars-Sinai Health System

### Notes to Consolidated Financial Statements (continued) (Dollar Amounts Expressed in Thousands)

#### 5. Retirement Plans (continued)

Each investment type is managed by an asset manager specializing in various security types. The investment objective of the plans over a three- to five-year period is to produce a rate of return that equals or exceeds the appropriate bond index, S&P 500 stock index, or other appropriate international equity index.

As part of investment policies and strategies, the plans' Investment and Pension Committees meet periodically to review performance. At least annually, the Investment and Pension Committees review and formulate the specific investment and allocation plan. Any adjustments that are deemed necessary are based on specific criteria, i.e., necessary plan funding, plan obligations, plan expenses, and plan liquidity needs.

#### Plans' Cash Flows

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

	<u>Cedars-Sinai</u>	<u>THA</u>	<u>Total</u>
2022	\$ 82,601	\$ 22,106	\$ 104,707
2023	32,204	19,493	51,697
2024	32,094	20,560	52,654
2025	34,870	21,458	56,328
2026	35,303	22,299	57,602
2027 through 2031	201,572	119,757	321,329

## Cedars-Sinai Health System

### Notes to Consolidated Financial Statements (continued) (Dollar Amounts Expressed in Thousands)

#### 6. Investments

Investment income on cash and cash equivalents, investments, board-designated assets, and assets limited as to use consists of the following:

	Year Ended June 30	
	2021	2020
Interest and dividend income	\$ 38,982	\$ 64,850
Realized gains	152,089	14,013
Net change in unrealized gains	413,658	46,635
	\$ 604,729	\$ 125,498
Investment income without donor restrictions	\$ 589,749	\$ 111,599
Investment income with donor restrictions	14,980	13,899
	\$ 604,729	\$ 125,498

The following table presents the financial instruments carried at fair value as of June 30, 2021 and 2020, by valuation hierarchy, as defined in Note 5. Alternative investments are recorded at net asset value, which is a practical expedient for fair value. The alternative investments are redeemable monthly, quarterly, semiannually, annually, or at the end of the term.

There were no significant transfers between Levels 1, 2, or 3 during the years ended June 30, 2021 and 2020. Fair values are based on the market approach valuation technique as defined in Note 5. There are no capital commitments associated with alternative investments.

	Level 1	Level 2	Fair Value
<b>June 30, 2021</b>			
Cash and cash equivalents in assets limited to use	\$ 54,067	\$ –	\$ 54,067
Equities	739,726	–	739,726
U.S. government debt	254,920	–	254,920
U.S. government agencies and asset-backed securities	–	57,082	57,082
Corporate debt (domestic)	–	681,598	681,598
Foreign government debt	–	116,226	116,226
Mutual funds and other	1,061,401	–	1,061,401
	\$ 2,110,114	\$ 854,906	2,965,020
Alternative investments measured at net asset value			449,391
			\$ 3,414,411

## Cedars-Sinai Health System

### Notes to Consolidated Financial Statements (continued) (Dollar Amounts Expressed in Thousands)

#### 6. Investments (continued)

	Level 1	Level 2	Fair Value
<b>June 30, 2020</b>			
Cash and cash equivalents in assets limited to use	\$ 131,729	\$ –	\$ 131,729
Equities	527,622	–	527,622
U.S. government debt	255,527	–	255,527
U.S. government agencies and asset-backed securities	–	46,175	46,175
Corporate debt (domestic)	–	369,355	369,355
Foreign government debt	–	83,807	83,807
Mutual funds and other	796,144	–	796,144
	\$ 1,711,022	\$ 499,337	2,210,359
Alternative investments measured at net asset value			456,088
			\$ 2,666,447

The following information pertains to those alternative investments recorded at net asset value in accordance with *Fair Value Measurement* (Topic 820) of the FASB ASC.

At June 30, 2021, alternative investments recorded at net asset value consisted of the following:

	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice
Hedge Funds	\$ 297,043	\$ –	Monthly to Annual	30-90 days
Private Equity	152,348	28,136	None	None
Total alternative investments	\$ 449,391	\$ 28,136		

At June 30, 2020, alternative investments recorded at net asset value consisted of the following:

	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice
Hedge Funds	\$ 383,407	\$ –	Monthly to Annual	30-90 days
Private Equity	72,681	24,000	None	None
Total alternative investments	\$ 456,088	\$ 24,000		

## Cedars-Sinai Health System

### Notes to Consolidated Financial Statements (continued) (Dollar Amounts Expressed in Thousands)

#### 6. Investments (continued)

Hedge funds: This class includes investments in hedge funds that expand the universe of potential investment approaches available by employing a variety of strategies and techniques within and across various asset classes. The primary objective for these funds is to balance returns, while limiting volatility by allocating capital to external portfolio managers selected for expertise in one or more investment strategies that may include, but are not limited to, equity long/short, event driven, relative value, and directional. The fair value of the investments in this category have been estimated using the NAV per share of the investments. Investments in this category generally carry “lockup” restrictions that do not allow investors to seek redemption in the first year after acquisition. Following the initial lockup period, liquidity is generally available monthly or quarterly following a redemption request. Over 50% of the investments in this category have at least quarterly liquidity.

Private equity funds: This class includes private equity funds that specialize in providing capital to a variety of investment groups including, but not limited to venture capital, leveraged buyout, mezzanine debt, distressed debt, and other strategies. The fair value of the investments in this category have been estimated using the NAV of the Health System’s ownership interest in partner’s capital. Distributions from each fund will be received as the underlying investments of the fund liquidated. There is no provision for redemptions during the life of these funds.

#### 7. Availability of Financial Assets

The following reflects the Health System’s financial assets at June 30, 2021 and 2020, reduced by amounts not available for general use within one year of the consolidated balance sheet date because of contractual or donor-imposed restrictions.

	<b>2021</b>	<b>2020</b>
Cash and cash equivalents	<b>\$ 1,248,138</b>	\$ 1,297,325
Short-term investments	<b>952,150</b>	660,140
Board-designated assets	<b>1,708,139</b>	1,284,604
Patient accounts receivable	<b>790,580</b>	579,465
	<b><u>\$ 4,699,007</u></b>	<b><u>\$ 3,821,534</u></b>

## Cedars-Sinai Health System

### Notes to Consolidated Financial Statements (continued) (Dollar Amounts Expressed in Thousands)

#### 7. Availability of Financial Assets (continued)

Board-designated assets include investments designated by the Health System's Board of Directors (the Board) for future capital expenditures, physician programs, academic programs, and fundraising. However, the Board retains control of these assets and will, at its discretion, and if necessary, use these assets for operating purposes. Therefore, Board-designated assets are included in the amounts above.

The Health System has assets limited to use, as described in Note 2, which are not reflected in the amounts above. As part of the Health System's liquidity management plan, cash in excess of daily requirements for general expenditures is invested in short-term investments that can be drawn upon, if necessary, to meet the liquidity needs of the Health System.

The Health System has two \$50,000 credit agreements, as discussed in Note 4. As of June 30, 2021, \$50,000 was available at each bank.

#### 8. Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes:

	<u>2021</u>	<u>2020</u>
Health care services	\$ 487,566	\$ 366,240
Purchase of capital assets	39,538	10,390
Health education and research	150,606	150,925
Endowment funds	378,476	373,592
	<u>\$ 1,056,186</u>	<u>\$ 901,147</u>

During the years ended June 30, 2021 and 2020, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes of health care services and health education totaling \$248,701 and \$232,215, respectively, and capital expenditures and contributions totaling \$734 and \$3,118, respectively.

Endowment funds at June 30, 2021 and 2020 are restricted to investments that are to be held in perpetuity to provide a permanent source of income.



## Cedars-Sinai Health System

### Notes to Consolidated Financial Statements (continued) (Dollar Amounts Expressed in Thousands)

#### 8. Net Assets With Donor Restrictions (continued)

Pledges are recognized as contributions at the present value of expected future payments. The discount rate used is the estimated risk-free discount rate at the time of the donation (ranging from 0.39% to 13.82%). Pledges receivable in donor-restricted net assets are scheduled to be received as follows:

	2021	2020
Due in one year or less	\$ 53,386	\$ 51,105
Due after one year through five years	167,841	94,079
Due after five years	156,106	142,078
Total	377,333	287,262
Allowance for uncollectible pledges and discounting	(47,418)	(53,135)
Pledges receivable	329,915	234,127
Less current portion	46,438	36,273
	\$ 283,477	\$ 197,854

During the years ended June 30, 2021 and 2020, the Health System had the following endowment-related activities:

	With Donor Restrictions	Without Donor Restrictions	Total
Endowment net assets, beginning of year July 1, 2019	\$ 347,996	\$ 522,766	\$ 870,762
Contributions	25,596	10,795	36,391
Investment income	11,006	21,158	32,164
Transfers of investment income	(11,006)	(1,779)	(12,785)
Endowment net assets, end of year June 30, 2020	373,592	552,940	926,532
Contributions	4,884	30,000	34,884
Other transfers	–	30,000	30,000
Investment income	11,718	194,978	206,696
Transfers of investment income	(11,718)	(2,092)	(13,810)
Endowment net assets, end of year June 30, 2021	\$ 378,476	\$ 805,826	\$ 1,184,302

## Cedars-Sinai Health System

### Notes to Consolidated Financial Statements (continued)

*(Dollar Amounts Expressed in Thousands)*

#### **8. Net Assets With Donor Restrictions (continued)**

The Health System's endowment consists of 245 individual funds for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Health System to retain as a fund of perpetual duration. Deficiencies of this nature are reported in net assets with donor restrictions. There were no such deficiencies as of June 30, 2021 or 2020.

The Health System's Board has interpreted the Uniform Prudent Management of Institutional Funds Act as requiring the preservation of the corpus of the various donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Health System classifies as donor-restricted net assets: (a) the original value of gifts donated, (b) the original value of subsequent gifts to the permanent endowment, and (c) 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.

The Health System has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity, as well as Board-designated funds. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield of market benchmarks. Actual returns in any given year may vary from this goal.

To satisfy the long-term rate of return objectives, the Health System relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Health System targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives within prudent constraints.

## Cedars-Sinai Health System

### Notes to Consolidated Financial Statements (continued) (Dollar Amounts Expressed in Thousands)

#### 9. Leases

The Health System leases property and equipment under operating and finance leases, whose terms vary in length from month to month to 15 years, with renewal options upon prior written notice, typically for 5 years depending upon the agreed-upon terms with the landlord. Rents under the Health System's lease amounts generally increase from 2% to 5% on an annual basis. The Health System determines if an arrangement is a lease at contract inception. Leases with an initial term of 12 months or less are not recorded on the Health System's consolidated balance sheets. The Health System has lease agreements that require payments for lease and non-lease components and has elected to account for these as a single lease component.

Lease assets represent the Health System's right to use an underlying asset for the lease term, and lease liabilities represent the Health System's obligation to make lease payments arising from the lease. Lease assets and lease liabilities are recorded at the present value of lease payments over the lease term at the commencement date using the risk-free rate based on the daily treasury yield curve. Most leases include rental escalation clauses, renewal options, and/or termination options that are factored into the determination of lease payments. Operating fixed lease expense and finance lease depreciation expense are recognized on a straight-line basis over the lease term. Variable lease payments are non-lease services related to the lease, including maintenance, repairs, property taxes, and insurance costs which are excluded from the right-of-use assets and lease liabilities and are recognized in the period in which the obligation of those payments is incurred. As it is not reasonably certain that renewal options will be exercised, the Health System does not include renewal options in the lease term for calculating the lease liability.

Lease term and discount rate as of June 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Weighted average operating leases remaining lease term	<b>7.1 years</b>	7.3 years
Weighted average finance leases remaining lease term	<b>4.4 years</b>	3.9 years
Weighted average operating lease discount rate	<b>1.8%</b>	2.0%
Weighted average finance lease discount rate	<b>1.1%</b>	1.8%

## Cedars-Sinai Health System

### Notes to Consolidated Financial Statements (continued) (Dollar Amounts Expressed in Thousands)

#### 9. Leases (continued)

Lease expense for lease payments is recognized on a straight-line basis over the lease term. The components of lease expense for the years ended June 30, 2021 and 2020 are as follows:

	<b>2021</b>	<b>2020</b>
Operating lease expense	\$ <b>86,155</b>	\$ 87,734
Variable lease expense	<b>32,492</b>	38,123
Short-term lease expense	<b>254</b>	1,569
Sublease income	<b>(4,621)</b>	(4,653)
 Finance lease expense:		
Amortization of leased assets	<b>2,275</b>	1,730
Interest on lease liabilities	<b>98</b>	103
Total lease expense	<b>\$ 116,653</b>	\$ 124,606

Supplemental cash flow information related to leases for the year ended June 30, 2021 are as follows:

Cash paid for amounts included in the measurement of lease liabilities:

	<b>2021</b>	<b>2020</b>
Operating cash flows from operating leases	\$ <b>88,317</b>	\$ 88,827
Operating cash flows from finance leases	<b>88</b>	99
Financing cash flows from finance leases	<b>2,800</b>	2,075
 Lease assets obtained in exchange for new operating lease liabilities	<b>\$ 64,286</b>	\$ 479,145
Lease assets obtained in exchange for new finance lease liabilities	<b>10,276</b>	7,652

## Cedars-Sinai Health System

### Notes to Consolidated Financial Statements (continued) (Dollar Amounts Expressed in Thousands)

#### 9. Leases (continued)

The following table summarizes the maturity of lease liabilities under operating and finance leases for the next five years and the years thereafter, as of June 30, 2021:

	<b>Operating Leases</b>	<b>Finance Leases</b>	<b>Total</b>
2022	\$ 86,796	\$ 7,570	\$ 94,366
2023	74,416	6,713	81,129
2024	70,176	5,990	76,166
2025	62,920	4,414	67,334
2026	54,103	3,552	57,655
Thereafter	149,441	318	149,759
Total lease payments	<u>\$ 497,852</u>	<u>\$ 28,557</u>	<u>\$ 526,409</u>
Less: interest	(40,567)	(14,548)	
Total lease liabilities	<u>\$ 457,285</u>	<u>\$ 14,009</u>	

In 2013, THA financed \$39,600 of the Torrance Memorial Specialty Center through a sale leaseback transaction with Continental Development Corp. (CDC). THA received \$23,100 in cash and \$16,500 in five-year notes receivable from CDC for the sale of the property. In 2012, THA financed \$24,900 of certain properties through sale leaseback transactions with CDC. THA received \$14,900 in cash and \$10,000 in five-year notes receivable from CDC for the sale of the properties. THA recorded the sale of these properties based on the relative fair value on the date of the transaction. As a result, no gains or losses were recorded in THA's statement of operations. The amount recorded in property and equipment under these leases as of June 30, 2021 and 2020 is \$38,841 and \$40,001, respectively, after accumulated depreciation. The amount recorded in accounts payable and other accrued liabilities representing the current portion of the sale-leaseback liability as of June 30, 2021 and 2020 is \$2,051 and \$1,892, respectively. The amount recorded in other liabilities representing the noncurrent portion of the sale-leaseback liability as of June 30, 2021 and 2020 is \$84,897 and \$86,949, respectively.

## Cedars-Sinai Health System

### Notes to Consolidated Financial Statements (continued) (Dollar Amounts Expressed in Thousands)

#### **10. Commitments and Contingencies**

Pending claims and legal proceedings at June 30, 2021 are set forth below. For all matters where a loss is probable and reasonably estimable, an estimate of the loss or a range of loss is provided. Where no estimate is provided, a loss is not probable or an amount of loss is not reasonably estimable at this time.

#### **Litigation – Employment Practices (Class Action)**

Wage and hour complaints have multiplied in the hospital field in the last few years. The Health System is now defending a series of separate cases, which, in various forms, contend that there has been a failure to pay overtime wages, failure to pay minimum wages, failure to provide meal periods or compensation in lieu thereof, failure to provide rest periods or compensation in lieu thereof, failure to pay wages in a timely manner at separation, failure to provide accurate itemized wage statements, and/or unfair business practices.

These cases have been assigned to the “complex” division of the Superior Court. Outside counsel has been retained to defend these cases, and the Health System will vigorously defend the class action function and other allegations. The cost and outcome of these cases cannot be ascertained at this time.

#### **Other**

In addition to the above, the Health System is a defendant in various other legal actions arising from the normal conduct of business. Management believes that the ultimate resolution of all proceedings will not have a material adverse effect upon the consolidated financial position, results of operations, or cash flows of the Health System. Further, new claims or inquiries may be initiated against the Health System and its affiliates from time to time. These matters could: (1) require the Health System to pay substantial damages or amounts in judgments or settlements, which, individually or in the aggregate, could exceed amounts, if any, that may be recovered under the insurance policies where coverage applies and is available; (2) cause the Health System to incur substantial expenses; and (3) require significant time and attention from management.

The Health System cannot predict the results of current or future claims and lawsuits. The Health System recognizes that, where appropriate, the Health System’s interests may be best served by resolving certain matters without litigation. If a non-litigated resolution is not appropriate or possible with respect to a particular matter, the Health System will defend itself vigorously. The

## Cedars-Sinai Health System

### Notes to Consolidated Financial Statements (continued) (Dollar Amounts Expressed in Thousands)

#### 10. Commitments and Contingencies (continued)

ultimate resolution of claims against the Health System, individually or in the aggregate, could have a material adverse effect on the Health System's business (both in the near and long term), consolidated financial position, results of operations, or cash flows.

#### 11. Functional Expenses

The Health System provides general health care services to residents within its geographic location. Expenses related to providing these services for the years ended June 30, 2021 and 2020 are as follows:

	Health Care Services	General and Administrative	Fundraising	Total
<b>June 30, 2021</b>				
Salaries and related costs	\$ 2,396,659	\$ 312,244	\$ 10,076	\$ 2,718,979
Professional fees	476,932	-	-	476,932
Materials, supplies, and other	1,552,850	245,525	2,355	1,800,730
Medi-Cal Fee Program expense	133,338	-	-	133,338
Interest	31,228	6,081	-	37,309
Depreciation and amortization	223,270	30,313	503	254,086
	<b>\$ 4,814,277</b>	<b>\$ 594,163</b>	<b>\$ 12,934</b>	<b>\$ 5,421,374</b>
<b>June 30, 2020</b>				
Salaries and related costs	\$ 2,225,837	\$ 288,665	\$ 8,795	\$ 2,523,297
Professional fees	369,876	-	-	369,876
Materials, supplies, and other	1,388,217	221,818	3,851	1,613,886
Medi-Cal Fee Program expense	127,658	-	-	127,658
Interest	31,650	6,324	-	37,974
Depreciation and amortization	203,694	27,122	491	231,307
	<b>\$ 4,346,932</b>	<b>\$ 543,929</b>	<b>\$ 13,137</b>	<b>\$ 4,903,998</b>

The consolidated financial statements report certain expense categories that are attributable to more than one function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function, including interest, depreciation, amortization, and other occupancy costs, are allocated to a function based on total functional cost before allocation.

## Cedars-Sinai Health System

### Notes to Consolidated Financial Statements (continued) (Dollar Amounts Expressed in Thousands)

#### **12. COVID-19**

In March 2020, the World Health Organization (WHO) declared the novel coronavirus disease (COVID-19) a pandemic. The Center for Disease Control confirmed its spread to the United States and it was declared a national public health emergency, followed by several state emergency declarations, and the Centers for Medicare and Medicaid Services (CMS) issuing guidance regarding elective procedures. California Governor Gavin Newsom issued a community shelter in place order on March 19, 2020. Following the guidelines from federal, state, and local governments, the Health System decided to postpone nonessential or elective surgical procedures starting the third week of March 2020, which led to a reduction in the Health System's overall patient volume and patient service revenue. The Health System implemented a Pay Protection Program, which allowed those employees whose work was affected due to low volume or cancellations to be reassigned to other areas in need and to be paid in full while waiting for reassignment.

The Health System began experiencing gradual and continued improvement in patient volumes in May and June of 2020 as the State eased stay-at-home restrictions and announced plans to resume delayed health care services that were deferred as hospitals prepared for a COVID-19 surge.

From December 2020 to March 2021, many states, including California, experienced a second surge of COVID-19. The Health System incurred incremental expenses, including higher usage of contract labor, premium labor, supply costs, and lost revenues in response to the surge. The Health System will continue to monitor the impact of the pandemic on its operations and financial results, as the duration of the pandemic is unknown.

From April 2020 through January 2021, the Health System received \$261,103 from various provisions in the CARES Act Provider Relief Fund. These payments are not subject to repayment, provided the Health System is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for health-care-related expenses or lost revenue attributable to COVID-19. Based on an analysis of the compliance and reporting requirement of the Provider Relief Fund and the impact of the pandemic on the Health System's operating results through June 30, 2021, the Health System believes there is reasonable assurance the applicable terms and conditions required to retain the funds are met as of June 30, 2021 and 2020. Therefore, the Health System recorded the payments of \$119,053 and \$141,921 in other operating revenues in the consolidated statements of operations and changes in net assets for the year ended June 30, 2021 and 2020, respectively. The Health System will



## Cedars-Sinai Health System

### Notes to Consolidated Financial Statements (continued)

*(Dollar Amounts Expressed in Thousands)*

#### **12. COVID-19 (continued)**

continue to monitor the terms and conditions of the CARES Act funding and the impact of the pandemic on revenues and expenses. If the Health System is unable to attest or comply with future terms and conditions, the ability to retain some or all of the distributions received may be impacted.

Additionally, the Health System received approximately \$59,000 of Medicare advance payments in April 2020 as part of the Accelerated and Advance Payment Program from the CMS, which has been recorded in due to third-party payers in the consolidated balance sheet. The repayment process started in April 2021. The unpaid balance as of June 30, 2021 was \$51,893.

#### **13. Subsequent Events**

On July 15, 2020, the Health System entered into an affiliation agreement with Pasadena Hospital Association Ltd., a California nonprofit public benefit corporation doing business as Huntington Hospital, for the purpose of Huntington Hospital joining the Health System's integrated health care delivery system. Huntington Hospital is a 619-bed nonprofit hospital in Pasadena, California. The affiliation includes commitments to continue investment in Huntington Hospital in enterprise information technology, expanded ambulatory services, and enhanced physician development. It will also enable collaborations with the other entities in the Health System to ensure access to high-quality, accessible, and affordable care throughout the region. On August 4, 2021, the affiliation between Huntington Hospital and Cedars-Sinai Health System became official with the completion of the appropriate government regulatory approvals. The Health System is the sole corporate member of Huntington Hospital. Effective August 4, 2021, the financial results of Huntington Hospital will be included in the Health System's consolidated financial statements.

# Reports Required by the Uniform Guidance



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## Report of Independent Auditors 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*

Management and the Board of Directors  
Cedars-Sinai Health System

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Cedars-Sinai Health System, which comprise the consolidated balance sheets as of June 30, 2021 and 2020, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 22, 2021.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Cedars-Sinai 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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cedars-Sinai Health System's internal control. Accordingly, we do not express an opinion on the effectiveness of Cedars-Sinai 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Cedars-Sinai Health System’s financial statements are free of 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.

*Ernst + Young LLP*

October 22, 2021



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## Report of Independent Auditors on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Management and the Board of Directors  
Cedars-Sinai Health System

### **Report on Compliance for the Major Federal Program**

We have audited Cedars-Sinai Health System compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on Cedars-Sinai Health System's major federal program for the year ended June 30, 2021. Cedars-Sinai Health System's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal program.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for Cedars-Sinai Health System's major federal program based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Cedars-Sinai Health System's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Cedars-Sinai Health System compliance.

### ***Opinion on the Major Federal Program***

In our opinion, Cedars-Sinai Health System complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

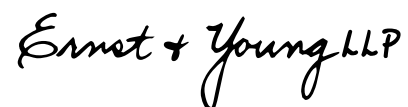
### **Report on Internal Control Over Compliance**

Management of Cedars-Sinai Health System is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Cedars-Sinai Health System's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Cedars-Sinai Health System's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



September 26, 2022

# Supplementary Information

# Cedars-Sinai Health System

## Schedule of Expenditures of Federal Awards

Year Ended June 30, 2021

Federal Grantor/Program or Cluster Title/ Pass Through Grantor – Consolidated	Federal Assistance Listing No.	Pass Through Grantor Identifying No.	Research and Development Cluster	Other Expenditures	Total Expenditures	Expenditures to Subrecipients
<b>U.S Department of Agriculture</b>						
Agricultural Research Basic and Applied Research						
Pass Through – Arkansas Children's Research Institute	10.001	58-6026-7-001	\$ 1,069	\$ –	\$ 1,069	\$ –
<b>Total U.S Department of Agriculture</b>			<b>1,069</b>	<b>–</b>	<b>1,069</b>	<b>–</b>
<b>U.S. Department of Commerce</b>						
Economic Adjustment Assistance	11.307	07-79-07449; URI; 11	755,049	–	755,049	–
Arrangements for Interdisciplinary Research Infrastructure	11.619	70NANB16H252	10,654	–	10,654	–
<b>Total U.S Department of Commerce</b>			<b>765,703</b>	<b>–</b>	<b>765,703</b>	<b>–</b>
<b>U.S Department of Defense</b>						
Military Medical Research and Development	12.420		15,172,594	–	15,172,594	1,991,848
Pass Through – Dana-Farber Cancer Institute	12.420	W81XWH-19-10564	9,062	–	9,062	–
Pass Through – Duke University	12.420	W81XWH-12-1-0447	13	–	13	–
Pass Through – Duke University	12.420	W81XWH-14-1-0111	(10,000)	–	(10,000)	–
Pass Through – Johns Hopkins University School of Medicine	12.420	W81XWH-12-1-0588	(16,636)	–	(16,636)	–
Pass Through – The University of Tennessee on Behalf of its Health Science Center	12.420	W81XWH-18-10266	85,643	–	85,643	–
Pass Through – University of Alabama at Birmingham	12.420	W81XWH-19-1-0558	58,625	–	58,625	–
Pass Through – University of California- Los Angeles	12.420	W81XWH-16-1-0092	2,568	–	2,568	–
Pass Through – University of California- San Diego	12.420	W81XWH-18-2-0009	38,737	–	38,737	–
Pass Through – University of Cambridge	12.420	W81XWH-14-1-0110	140,972	–	140,972	–
Pass Through – University of Florida	12.420	W81XWH-17-2-0030	396,292	–	396,292	–
Pass Through – University of Southern California	12.420	W81XWH-17-1-0612	41,766	–	41,766	37,320
Pass Through – Weill Cornell Medical College	12.420	W81XWH-19-10141	9,480	–	9,480	–
<b>Total U.S Department of Defense</b>			<b>15,929,116</b>	<b>–</b>	<b>15,929,116</b>	<b>2,029,168</b>
<b>National Science Foundation</b>						
Social, Behavioral, and Economic Sciences	47.075		129,914	–	129,914	–
Engineering	47.041		14,987	–	14,987	–
<b>Total National Science Foundation</b>			<b>144,901</b>	<b>–</b>	<b>144,901</b>	<b>–</b>
<b>U.S Department of Veterans Affairs</b>						
Pass Through – Veterans Affairs Greater Los Angeles Healthcare	64.009	691-D08067	–	84,389	84,389	–
Pass Through – Veterans Affairs Greater Los Angeles Healthcare	64.009	691-D08065	–	83,273	83,273	–
<b>Total U.S Department of Veterans Affairs</b>			<b>–</b>	<b>167,662</b>	<b>167,662</b>	<b>–</b>
<b>U.S Department of Health and Human Services</b>						
Pass Through – University of Arizona	93 RD	HHSN2612012000311	24,289	–	24,289	–
Pass Through – Northwestern University	93 RD	HHSN2612012000351	29,255	–	29,255	–
Pass Through – Northwestern University	93 RD	HHSN261201200035I	11,901	–	11,901	–
Pass Through – Northwestern University	93 RD	SP001604060045298	89,797	–	89,797	–
Pass Through – Northwestern University	93 RD	SP001604060045323	111,565	–	111,565	–
Pass Through – NRG Oncology	93 RD	Not Available	116,059	–	116,059	–
			<b>382,866</b>	<b>–</b>	<b>382,866</b>	<b>–</b>
Food and Drug Administration Research	93.103		353,418	–	353,418	65,490
Pass Through – Yale University	93.103	5U01FD005938	63,181	–	63,181	–
			<b>416,599</b>	<b>–</b>	<b>416,599</b>	<b>65,490</b>



# Cedars-Sinai Health System

## Schedule of Expenditures of Federal Awards (continued)

Year Ended June 30, 2021

Federal Grantor/Program or Cluster Title/ Pass Through Grantor – Consolidated	Federal Assistance Listing No.	Pass Through Grantor Identifying No.	Research and Development Cluster	Other Expenditures	Total Expenditures	Expenditures to Subrecipients
Environmental Health	93.113		\$ 186,074	\$ –	\$ 186,074	\$ –
Oral Diseases and Disorders Research						
Pass Through – University of Rochester	93.121	R01 DE019902	(17,039)	–	(17,039)	–
Pass Through – University of Colorado	93.121	5U01DE024440	(136)	–	(136)	–
			<b>(17,175)</b>	<b>–</b>	<b>(17,175)</b>	<b>–</b>
Human Genome Research						
Pass Through – University of California San Diego	93.172	R01HG011066	158,327	–	158,327	–
Research and Training in Complementary and Integrative Health	93.213		35,445	–	35,445	–
Research on Healthcare Costs, Quality and Outcomes	93.226		88,225	–	88,225	–
Pass Through – RAND Corporation	93.226	1R18HS026168-01A1	26,788	–	26,788	–
Pass Through – University of California Los Angeles	93.226	1R01HS025394-01	7,379	–	7,379	–
Pass Through – University of South Carolina	93.226	1R01HS026491-01	268,349	–	268,349	–
			<b>390,741</b>	<b>–</b>	<b>390,741</b>	<b>–</b>
Mental Health Research Grants	93.242		229,019	–	229,019	–
Pass Through – University of North Carolina	93.242	4R33MH104330	(10,991)	–	(10,991)	–
Pass Through – University of North Carolina	93.242	U01MH070890	843	–	843	–
Pass Through – University of North Carolina	93.242	1R01MH111944-01A1	18,480	–	18,480	–
Pass Through – California Institute of Technology	93.242	23A-1097962	170,224	–	170,224	–
Pass Through – University of Minnesota	93.242	R01MH115046	157,969	–	157,969	–
			<b>565,544</b>	<b>–</b>	<b>565,544</b>	<b>–</b>
Alcohol Research Programs	93.273		1,266,956	–	1,266,956	8,671
Pass Through – Indiana University	93.273	1U01AA026817-01A1	200,843	–	200,843	–
Pass Through – University of California Irvine	93.273	R01AA028735	34,748	–	34,748	–
Pass Through – University of Southern California	93.273	P50 AA011999	39,733	–	39,733	–
			<b>1,542,280</b>	<b>–</b>	<b>1,542,280</b>	<b>8,671</b>
Drug Abuse and Addiction Research Programs	93.279		240,583	–	240,583	63,208
COVID-19 Drug Abuse and Addiction Research Programs	93.279		140,932	–	140,932	–
Pass Through – California Institute of Technology	93.279	R01DA040011	36,803	–	36,803	–
Pass Through – University of North Carolina	93.279	1R01DA042988-01A1	167,661	–	167,661	–
Pass Through – University of North Carolina	93.279	1R01DA043678-01A1	192,182	–	192,182	–
Pass Through – RAND Corporation	93.279	1R34DA047492-01	101,858	–	101,858	–
			<b>880,019</b>	<b>–</b>	<b>880,019</b>	<b>63,208</b>
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283		550,037	–	550,037	364,417
Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286		1,632,989	–	1,632,989	386,548
Pass Through – Emory University	93.286	1U01EB028145-01	354,965	–	354,965	–
Pass Through – University of California Los Angeles	93.286	1U01EB026421-01A1	181,422	–	181,422	–
Pass Through – University of Pittsburgh	93.286	1R21EB023507-01A1	50,460	–	50,460	–
			<b>2,219,836</b>	<b>–</b>	<b>2,219,836</b>	<b>386,548</b>

# Cedars-Sinai Health System

## Schedule of Expenditures of Federal Awards (continued)

Year Ended June 30, 2021

Federal Grantor/Program or Cluster Title/ Pass Through Grantor – Consolidated	Federal Assistance Listing No.	Pass Through Grantor Identifying No.	Research and Development Cluster	Other Expenditures	Total Expenditures	Expenditures to Subrecipients
Minority Health and Health Disparities Research Pass Through – University of Alabama at Birmingham	93.307	5U54MD000502-16	\$ 39,309	\$ –	\$ 39,309	–
TRANS-NIH Research Support	93.310		475,571	–	475,571	74,490
Pass Through – Carnegie Mellon University	93.310	1090580-437275	19,973	–	19,973	–
Pass Through – University of California San Diego	93.310	1OT2OD026552-01	860,169	–	860,169	–
			<b>1,355,713</b>	–	<b>1,355,713</b>	<b>74,490</b>
National Center for Advancing Translational Sciences	93.350		1,308,552	–	1,308,552	402,093
Pass Through – University of California Los Angeles	93.350	UL1 TR001881	1,476,980	–	1,476,980	–
Pass Through – University of California Los Angeles	93.350	KL2 TR001882	132,525	–	132,525	–
Pass Through – University of California Los Angeles	93.350	1UG3TR003148-01	236,932	–	236,932	–
			<b>3,154,989</b>	–	<b>3,154,989</b>	<b>402,093</b>
Research Infrastructure Programs Pass Through – Jackson Laboratory	93.351	U54OD020351	(77)	–	(77)	–
Advance Education Nursing Traineeships Pass Through – University of California Los Angeles	93.358	UL1TR001881	1,042	–	1,042	–
Nursing Research	93.361		492,065	–	492,065	199,213
National Center for Research Resources Pass Through – University of California – Los Angeles	93.389	UL1RR033176	(30)	–	(30)	–
Cancer Cause and Prevention Research	93.393		2,358,792	–	2,358,792	907,743
Pass Through – Dana Farber Cancer institute	93.393	R01CA204954	149,499	–	149,499	–
Pass Through – Emory University	93.393	R01CA211574	249,905	–	249,905	–
Pass Through – Fred Hutchinson Cancer Research Center	93.393	R01CA244588	42,847	–	42,847	–
Pass Through – Fred Hutchinson Cancer Research Center	93.393	R01 CA201407	36,593	–	36,593	–
Pass Through – Moffitt Cancer & Research Institute	93.393	1R01CA238087-01	28,977	–	28,977	–
Pass Through – Moffitt Cancer & Research Institute	93.393	1R01CA207456	253,263	–	253,263	–
Pass Through – University of California Los Angeles	93.393	1P01CA236585	254,990	–	254,990	–
Pass Through – University of Melbourne	93.393	2U01CA167551-07	142,829	–	142,829	–
Pass Through – University of Southern California	93.393	1R01CA209798-01A1	8,415	–	8,415	–
Pass Through – University of Utah	93.393	1U01CA206110-01	450,197	–	450,197	24,184
Pass Through – University of Texas MD Anderson Cancer Center	93.393	R01CA188943	60,627	–	60,627	–
Pass Through – Washington University in St. Louis	93.393	Unknown	4,088	–	4,088	–
			<b>4,041,022</b>	–	<b>4,041,022</b>	<b>931,927</b>
Cancer Detection and Diagnosis Research	93.394		3,113,264	–	3,113,264	488,171
COVID-19 Cancer Detection and Diagnosis Research	93.394		787,894	–	787,894	–
Pass Through – Icahn School of Medicine at Mount Sinai	93.394	1R01CA244948-01A1	6,531	–	6,531	–
Pass Through – Kaiser Permanente	93.394	1R01CA230442-01A1	143,265	–	143,265	–
Pass Through – New York School of Medicine	93.394	U01CA214195	20,961	–	20,961	–
Pass Through – Tulane University	93.394	1R01CA222831-01A1	42,309	–	42,309	–
Pass Through – University of California Los Angeles	93.394	1R01CA246304-01	41,940	–	41,940	–
Pass Through – University of California Los Angeles	93.394	1R01CA253651-01	15,447	–	15,447	–
Pass Through – University of California Los Angeles	93.394	1R21CA240887-01A1	42,209	–	42,209	–

# Cedars-Sinai Health System

## Schedule of Expenditures of Federal Awards (continued)

Year Ended June 30, 2021

Federal Grantor/Program or Cluster Title/ Pass Through Grantor – Consolidated	Federal Assistance Listing No.	Pass Through Grantor Identifying No.	Research and Development Cluster	Other Expenditures	Total Expenditures	Expenditures to Subrecipients
Cancer Detection and Diagnosis Research (continued)						
Pass Through – University of California Los Angeles	93.394	U01CA198900	\$ 63,566	\$ –	\$ 63,566	\$ –
Pass Through – University of Southern California	93.394	1R21CA234637-01A1	15,994	–	15,994	–
Pass Through – Van Andel Research Institute	93.394	U24CA210969	3,206	–	3,206	–
			<b>4,296,586</b>	<b>–</b>	<b>4,296,586</b>	<b>488,171</b>
Cancer Treatment Research	93.395		2,883,826	–	2,883,826	507,042
Pass Through – Brigham & Women Hospital	93.395	U10 CA076001	148,457	–	148,457	–
Pass Through – Children's Hospital Philadelphia	93.395	2U10CA180886-06	24,481	–	24,481	–
Pass Through – Icahn School of Medicine at Mount Sinai	93.395	5P01CA108671-12	25,144	–	25,144	–
Pass Through – Icahn School of Medicine at Mount Sinai	93.395	7R01CA232574-02	12,212	–	12,212	–
Pass Through – John Wayne Cancer Institution	93.395	5R01CA189163-03	(217,663)	–	(217,663)	–
Pass Through – Oregon Health Science University	93.395	2U01CA180888-06	236,220	–	236,220	–
Pass Through – Oregon Health Science University	93.395	U10 CA032102	3,766	–	3,766	–
			<b>3,116,443</b>	<b>–</b>	<b>3,116,443</b>	<b>507,042</b>
Cancer Biology Research	93.396		5,514,918	–	5,514,918	360,742
Pass Through – Roswell Park Cancer Institute	93.396	407-01	17,545	–	17,545	–
			<b>5,532,463</b>	<b>–</b>	<b>5,532,463</b>	<b>360,742</b>
Cancer Centers Support Grants						
Pass Through – Fred Hutchinson Cancer Research Center	93.397	1P20CA252733-01	18,796	–	18,796	–
Pass Through – University of Los Angeles	93.397	P50CA092131	183,679	–	183,679	–
			<b>202,475</b>	<b>–</b>	<b>202,475</b>	<b>–</b>
Cancer Research Man Power	93.398		522,134	–	522,134	16,000
Cancer Control						
Pass Through – Children's Hospital Philadelphia	93.399		75,643	–	75,643	–
Pass Through – Northwestern University	93.399		7,652	–	7,652	–
			<b>83,295</b>	<b>–</b>	<b>83,295</b>	<b>–</b>
COVID-19 HRSA COVID-19 Claims Reimbursement for the Uninsured Program and the COVID-19 Coverage Assistance Fund	93.461		–	2,660,825	2,660,825	–
COVID-19 Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	93.498		–	139,993,460	139,993,460	–
Trans-NIH Recovery Act Research Support						
Pass Through – Dana-Faber Cancer Institute	93.701	U01 CA062490	(1,350)	–	(1,350)	–
Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities						
Pass Through – California Department of Public Health	93.817	6U3REP160550-01-00	1,463,930	–	1,463,930	–
COVID-19 Pass Through – California Department of Public Health	93.817	6U3REP160550-01-00	(1,619)	–	(1,619)	–
			<b>1,462,311</b>	<b>–</b>	<b>1,462,311</b>	<b>–</b>

# Cedars-Sinai Health System

## Schedule of Expenditures of Federal Awards (continued)

Year Ended June 30, 2021

Federal Grantor/Program or Cluster Title/ Pass Through Grantor – Consolidated	Federal Assistance Listing No.	Pass Through Grantor Identifying No.	Research and Development Cluster	Other Expenditures	Total Expenditures	Expenditures to Subrecipients
National Ebola Training and Education Center						
Pass Through – Emory University	93.825	1U3REP170552-04-03	\$ 4,239	\$ –	\$ 4,239	\$ –
Pass Through – Emory University	93.825	A281261	357	–	357	–
			<b>4,596</b>	<b>–</b>	<b>4,596</b>	<b>–</b>
Cardiovascular Diseases Research	93.837		17,271,586	–	17,271,586	2,374,515
Pass Through – Boston University	93.837	5R01HL142983-03	131,192	–	131,192	–
Pass Through – Brigham & Women Hospital	93.837	5R01HL091069-08	83,759	–	83,759	–
Pass Through – Brigham & Women Hospital	93.837	5R01HL116690-06	56,299	–	56,299	–
Pass Through – Brigham & Women Hospital	93.837	5R01HL134811	3,493	–	3,493	–
Pass Through – Duke University	93.837	U10HL084904	10,992	–	10,992	–
Pass Through – Icahn School of Medicine at Mount Sinai	93.837	1R01HL150345-01A1	100,862	–	100,862	–
Pass Through – Massachusetts General Hospital	93.837	1R01HL151855-01	8,087	–	8,087	–
Pass Through – Massachusetts General Hospital	93.837	5R01HL140224-02	29,230	–	29,230	–
Pass Through – New England Research Institute	93.837	U24HL135691	3,754	–	3,754	–
Pass Through – Ohio State University	93.837	5R01HL127316-04A1	57,598	–	57,598	–
Pass Through – Penn State University	93.837	2R01HL127315-04A1	142,965	–	142,965	–
Pass Through – Purdue University	93.837	5R01HL153114-02	11,935	–	11,935	–
Pass Through – RTI International	93.837	1U01HL145358-01A1	47,300	–	47,300	–
Pass Through – Stanford University	93.837	5R01HL141371-02	44,027	–	44,027	–
Pass Through – University of California Los Angeles	93.837	U01HL146333-01	5,142	–	5,142	–
Pass Through – University of Miami	93.837	1R01HL137355	(1,271)	–	(1,271)	–
Pass Through – University of Michigan	93.837	1UG3HL145269-01A1	19,690	–	19,690	–
Pass Through – University of North Carolina	93.837	R01HL147853	130,141	–	130,141	–
Pass Through – University of Pennsylvania	93.837	1R01HL151277-01A1	16,625	–	16,625	–
Pass Through – University of Southern California	93.837	1R01HL153286-01	74,199	–	74,199	–
Pass Through – University of Southern California	93.837	7R01HL147355-03	18,004	–	18,004	–
Pass Through – University of Texas, Arlington	93.837	1R01HL136601-01A1	(44)	–	(44)	–
Pass Through – Vanderbilt University Medical Center	93.837	1P01HL129941	490,381	–	490,381	–
Pass Through – Wake Forest University	93.837	R01HL111362	784,569	–	784,569	–
			<b>19,540,515</b>	<b>–</b>	<b>19,540,515</b>	<b>2,374,515</b>
Lung Diseases Research	93.838		5,786,603	–	5,786,603	1,049,885
COVID-19 Pass Through – University of Michigan	93.838	OT2HL156812	59,900	–	59,900	–
Pass Through – Cincinnati Children's Hospital Medical Center	93.838	U01 HL122642	(2,052)	–	(2,052)	–
Pass Through – Cincinnati Children's Hospital Medical Center	93.838	5U01HL148856-02	11,432	–	11,432	–
Pass Through – Oregon Health Sciences University	93.838	1018872_CSMC	26,615	–	26,615	–
Pass Through – Oregon Health Sciences University	93.838	1OT2HL156812-01	9,253	–	9,253	–
Pass Through – University of Washington, Seattle	93.838	5U01HL123009-04	4,844	–	4,844	–
Pass Through – Yale University	93.838	1R01HL138540-01	164,607	–	164,607	–
			<b>6,061,202</b>	<b>–</b>	<b>6,061,202</b>	<b>1,049,885</b>
Blood Diseases and Resources Research	93.839		280,918	–	280,918	–
Arthritis, Musculoskeletal and Skin Diseases Research	93.846		942,387	–	942,387	–
Pass Through – Columbia University Medical Center	93.846	R01AR050026	43,377	–	43,377	–
Pass Through – Penn State	93.846	1U01AR071077-01	75,104	–	75,104	–
Pass Through – SUNY Upstate Medical University	93.846	1U01AR07609201-A1	24,158	–	24,158	–
Pass Through – University of Colorado	93.846	UH2AR067681	25,799	–	25,799	–
Pass Through – University of Pittsburgh	93.846	1R01AR071659-01A1	21,656	–	21,656	–
			<b>1,132,481</b>	<b>–</b>	<b>1,132,481</b>	<b>–</b>

# Cedars-Sinai Health System

## Schedule of Expenditures of Federal Awards (continued)

Year Ended June 30, 2021

Federal Grantor/Program or Cluster Title/ Pass Through Grantor – Consolidated	Federal Assistance Listing No.	Pass Through Grantor Identifying No.	Research and Development Cluster	Other Expenditures	Total Expenditures	Expenditures to Subrecipients
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847		\$ 8,239,644	\$ –	\$ 8,239,644	\$ 898,604
COVID-19 Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847		95,182	–	95,182	–
Pass Through – Brigham & Women Hospital Inc	93.847	1R01DK112940-01	8,434	–	8,434	–
Pass Through – California Institute of Technology	93.847	5R01MH100556	(4,154)	–	(4,154)	–
Pass Through – Indiana University	93.847	1R01DK116963-01A1	50,997	–	50,997	–
Pass Through – Joslin Diabetes Center	93.847	01DK116102-100113	6,819	–	6,819	–
Pass Through – LA BioMed Harbor-UCLA Medical Center	93.847	P30 DK063491	68,947	–	68,947	–
Pass Through – Massachusetts General Hospital	93.847	1R01DK124453-01	8,833	–	8,833	–
Pass Through – Massachusetts General Hospital	93.847	UM1DK116963-01A1	790	–	790	–
Pass Through – Medical University of South Carolina	93.847	A00-3656-S0-20	11,048	–	11,048	–
Pass Through – Oklahoma Medical Research Foundation	93.847	5R01DK085691-08	47,738	–	47,738	–
Pass Through – University of California- San Diego	93.847	2P30DK063491-16	66,487	–	66,487	–
Pass Through – University of California- San Diego	93.847	P30 DK063491	(11,714)	–	(11,714)	–
Pass Through – University of Illinois at Chicago	93.847	1U01DK127378-01	5,219	–	5,219	–
Pass Through – University of Iowa	93.847	5U01DK108334-05	60	–	60	–
Pass Through – University of Iowa	93.847	S01066-01	250	–	250	–
Pass Through – University of Minnesota	93.847	5U01DK106786-03	(15,936)	–	(15,936)	–
Pass Through – University Texas MD Anderson Cancer Center	93.847	3U01DK108328-02S1	3,163	–	3,163	–
Pass Through – Washington University in St. Louis	93.847	1R01DK124274-01A1	34,392	–	34,392	–
			<b>8,616,199</b>	<b>–</b>	<b>8,616,199</b>	<b>898,604</b>
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853		4,140,532	–	4,140,532	825,861
COVID-19 Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853		330,175	–	330,175	–
Pass Through – Cleveland Clinic	93.853	U01NS116776	75,436	–	75,436	–
Pass Through – Mayo Clinic Rochester	93.853	5U01NS080168-02	4,374	–	4,374	–
Pass Through – University of California Irvine	93.853	U54NS091046	133,486	–	133,486	–
Pass Through – University of California Los Angeles	93.853	1U01NS098961-01	18,380	–	18,380	–
Pass Through – University of Cincinnati	93.853	1U01NS099043-01A1	14,209	–	14,209	–
Pass Through – University of Cincinnati	93.853	012043-133926	2,147	–	2,147	–
Pass Through – University of Cincinnati	93.853	1U01NS100699-01A1	1,657	–	1,657	–
Pass Through – University of Cincinnati	93.853	1U01NS102289-01A1	2,226	–	2,226	–
Pass Through – University of Michigan	93.853	1U01NS099046-01A1	27,528	–	27,528	–
Pass Through – University of Southern California	93.853	7U24NS113452-03	16,369	–	16,369	–
			<b>4,766,519</b>	<b>–</b>	<b>4,766,519</b>	<b>825,861</b>
Allergy and Infectious Diseases Research	93.855		8,766,178	–	8,766,178	283,629
COVID-19 Allergy and Infectious Diseases Research	93.855		98,673	–	98,673	–
Pass Through – Columbia University Medical Center	93.855	1R34AI152962-01	11,939	–	11,939	–
Pass Through – Emory University	93.855	2U19 110483-06	6,048	–	6,048	–
Pass Through – Massachusetts General Hospital	93.855	1U01AI136816-01	105,750	–	105,750	–
Pass Through – Mayo Clinic Jacksonville	93.855	1R21AI145356-01	38,034	–	38,034	–
Pass Through – Mayo Clinic Jacksonville	93.855	1R21AI154927-01	7,197	–	7,197	–
Pass Through – National Jewish Health	93.855	1R01AI152504-01A1	21,897	–	21,897	–
Pass Through – Partners Healthcare	93.855	1U01AI136816-01	68,892	–	68,892	–
COVID-19 Pass Through – Stanford University	93.855	3U01AI135950-03S1	5,513	–	5,513	–

# Cedars-Sinai Health System

## Schedule of Expenditures of Federal Awards (continued)

Year Ended June 30, 2021

Federal Grantor/Program or Cluster Title/ Pass Through Grantor – Consolidated	Federal Assistance Listing No.	Pass Through Grantor Identifying No.	Research and Development Cluster	Other Expenditures	Total Expenditures	Expenditures to Subrecipients
COVID-19 Allergy and Infectious Diseases Research (continued)						
Pass Through – University California San Diego	93.855	7R21AI138053-02	\$ (17)	\$ –	\$ (17)	\$ –
Pass Through – University California San Diego	93.855	1R01AI144694-01A1	31,383	–	31,383	–
Pass Through – Washington University in St. Louis	93.855	WU-20-345	10,568	–	10,568	–
			<b>9,172,055</b>	<b>–</b>	<b>9,172,055</b>	<b>283,629</b>
Biomedical Research and Research Training	93.859		483,530	–	483,530	–
Child Health and Human Development Extramural Research	93.865		305,590	–	305,590	5,583
Pass Through – Arkansas Children's Research Institute	93.865	1R01HD099099-01	45,408	–	45,408	–
Pass Through – Harvard Pilgrim Health Care	93.865	1R01HD094150-01	85,905	–	85,905	–
Pass Through – University of Colorado Springs	93.865	R01 HD073491	(10,150)	–	(10,150)	–
Pass Through – University of Southern California	93.865	5R01HD092483-02	219,729	–	219,729	–
			<b>646,482</b>	<b>–</b>	<b>646,482</b>	<b>5,583</b>
Aging Research	93.866		2,859,819	–	2,859,819	465,207
Pass Through – Brigham & Women Hospital	93.866	R01AG062713	11,151	–	11,151	–
Pass Through – Northwestern University	93.866	5R01AG049924-04	21,672	–	21,672	–
Pass Through – RAND Corporation	93.866	R21AG059214	25,980	–	25,980	–
Pass Through – University California San Francisco	93.866	5R01AG053332-02	6,655	–	6,655	–
			<b>2,925,277</b>	<b>–</b>	<b>2,925,277</b>	<b>465,207</b>
Vision Research	93.867		3,095,566	–	3,095,566	(187,504)
National Bioterrorism Hospital Preparedness Program	93.889			–	–	–
Pass Through – County of LA, Dept of Health Services	93.889	H-707432	–	306,869	306,869	–
Pass Through – County of LA, Dept of Health Services	93.889	H-708597	–	37,700	37,700	–
Pass Through – County of LA, Dept of Health Services	93.889	H-708214	–	37,700	37,700	–
Pass Through – County of LA, Dept of Health Services	93.889	H-708196	–	16,194	16,194	–
COVID-19 Pass Through – County of LA, Dept of Health Services	93.889	H-707432	–	6,000	6,000	–
COVID-19 Pass Through – California Health Foundation and Trust	93.889	U3REP200652	–	503,851	503,851	–
			<b>–</b>	<b>908,314</b>	<b>908,314</b>	<b>–</b>
<b>Total Department of Health and Human Services</b>			<b>88,334,323</b>	<b>143,562,599</b>	<b>231,896,922</b>	<b>9,583,792</b>
<b>Agency For International Development</b>						
USAID Foreign Assistance for Programs Overseas	98.001		2,816	–	2,816	–
<b>Total Agency for International Development</b>			<b>2,816</b>	<b>–</b>	<b>2,816</b>	<b>–</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ 105,177,928</b>	<b>\$ 143,730,261</b>	<b>\$ 248,908,189</b>	<b>\$ 11,612,960</b>

See accompanying notes to Schedule of Expenditures of Federal Awards

# Cedars-Sinai Health System

## Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2021

1. The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Cedars-Sinai Health System and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the consolidated financial statements of Cedars-Sinai Health System. For purposes of the Schedule, federal awards include any assistance provided by a federal agency directly or indirectly in the form of grants, contracts, cooperative agreements, loan and loan guarantees, or other non-cash assistance.

Direct and indirect costs are charged to awards in accordance with cost principles contained in the United States Department of Health and Human Services Cost Principles for Hospitals at 45 CFR Part 75 Appendix IX for Federal awards subject to the requirements of the Uniform Guidance. Under these cost principles, certain types of expenditures are not allowable or are limited as to reimbursement. The Uniform Guidance provides for a 10% de minimis indirect cost rate election; however, Cedars-Sinai Health System did not make this election and uses a negotiated indirect cost rate.

2. Federal Expenditures of \$106,253,904 are reported in Cedars-Sinai Health System's consolidated financial statements for the fiscal year ended June 30, 2021, as net assets released from restrictions. Negative amounts shown on the Schedule represent adjustments, other operating revenues and net patient service revenues or credits made in the normal course of business to amounts reported as expenditures in prior years.

## Cedars-Sinai Health System

### Notes to Schedule of Expenditures of Federal Awards (continued)

The amount presented on the SEFA for Assistance Listing Number 93.498, COVID-19 – Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution (PRF Funds), is for the year ended June 30, 2021. The amount presented reconciles to the Provider Relief Fund (PRF) information reported to HRSA as follows:

Name of Reporting Entity for HRSA Reporting Period 1 (Funding Received Through 06/30/20; Expenditures and Lost Revenue Through 06/30/21)	Reporting Entity Tax Identification Number (TIN)	Type of Distribution	Total Other Provider Relief Fund Expenses reported	Total Lost Revenues Reported	Total
Cedars-Sinai Medical Center	95-1644600	General	\$ 56,674,842	\$ 12,397,770	\$ 69,072,612
		Targeted	28,897,923	6,318,055	35,215,978
Total Cedars-Sinai Medical Center			85,572,765	18,715,825	104,288,590
Cedars-Sinai Medical Care Foundation	95-4457756	General	–	5,954,654	5,954,654
Total Cedars-Sinai Medical Care Foundation			–	5,954,654	5,954,654
CFHS Holdings, Inc. dba Cedars Sinai Marina Del Rey Hospital	20-1645949	General	2,689,562	–	2,689,562
Total CFHS Holding, Inc.			2,689,562	–	2,689,562
Cedars-Sinai Affiliated Joint Ventures (Controlling Interest)					
90210 Surgery Medical Center	13-4341601	General	397,882	–	397,882
90210 Surgery Medical Center at Linden	41-2122164	General	79,388	–	79,388
Endoscopy Center of Santa Monica LLC	11-3652210	General	–	98,881	98,881
Kerlan-Jobe Surgery Center LLC	72-1349748	General	–	306,292	306,292
Mink Radiologic Imaging Medical Associates, Inc.	54-2075700	General	–	221,064	221,064
Precision Ambulatory Surgery Center	46-1628556	General	48,584	–	48,584
Santa Monica Surgical Partners, LLC87	87-0760381	General	–	357,115	357,115
Total Cedars-Sinai Affiliated Joint Ventures			525,854	983,352	1,509,206
Torrance Memorial Medical Center	95-1644042	General	8,617,074	4,686,163	13,303,237
		Targeted	6,702,168	3,642,814	10,344,982
Total Torrance Memorial Medical Center			15,319,242	8,328,977	23,648,219
Torrance Health Association, Inc. dba Torrance Memorial Physician Network	33-0073515	General	991,593	911,636	1,903,229
Total Torrance Health Association, Inc.			991,593	911,636	1,903,229
Total Cedars-Sinai Health System			\$ 105,099,016	\$ 34,894,444	\$ 139,993,460



## Cedars-Sinai Health System

### Notes to Schedule of Expenditures of Federal Awards (continued)

Health and Human Services (HHS) has indicated the PRF Funds on the SEFA be reported corresponding to reporting requirements of the HRSA PRF Reporting Portal. Payments from HHS for PRF are assigned to 'Payment Received Periods' (each, a Period) based upon the date each payment from the PRF was received. Each Period has a specified Period of Availability and timing of reporting requirements. Entities report into the HRSA PRF Reporting Portal after each Period's deadline to use the funds (i.e., after the end of the Period of Availability).

The SEFA includes \$139,993,460 of PRF Funds received from HHS between April 10, 2020 through June 30, 2020. In accordance with guidance from HHS, these amounts are presented as Compliance Period 1. Such amounts were recognized as other operating revenues in Cedars-Sinai Health System's consolidated financial statements for the fiscal year ended June 30, 2020 as shown in the SEFA in the year ended June 30, 2021.

# Schedule Required by the Uniform Guidance

Cedars-Sinai Health System

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2021

**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

       **Yes**        X   **No**

Significant deficiency(ies) identified?

       **Yes**        X   **None reported**

Noncompliance material to financial statements noted?

       **Yes**        X   **No**

**Federal Awards**

Internal control over major federal program:

Material weakness(es) identified?

       **Yes**        X   **No**

Significant deficiency(ies) identified?

       **Yes**        X   **None reported**

Type of auditor’s report issued on compliance for major federal program:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

       **Yes**        X   **No**

Cedars-Sinai Health System

Schedule of Findings and Questioned Costs (continued)

For the Year Ended June 30, 2021

Identification of major federal program:

<u>Assistance Listing Numbers</u>	<u>Name of Federal Program or Cluster</u>
93.498	COVID-19 – Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution

Dollar threshold used to distinguish between Type A and Type B programs: \$3,000,000

Auditee qualified as low-risk auditee?  X  Yes   No

**Section II – Financial Statement Findings**

No matters were reported.

**Section III – Federal Award Findings and Questioned Costs**

No matters were reported.

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