

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

Cedars-Sinai Health System
Years Ended June 30, 2022 and 2021
With Reports of Independent Auditors

Ernst & Young LLP



Cedars-Sinai Health System

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

Years Ended June 30, 2022 and 2021

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Ernst & Young LLP
Suite 500
725 South Figueroa Street
Los Angeles, CA 90017-5418

Tel: +1 213 977 3200
Fax: +1 213 977 3152
ey.com

Report of Independent Auditors

Management and the Board of Directors
Cedars-Sinai Health System

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Cedars-Sinai Health System (the Health System), which comprise the consolidated balance sheets as of June 30, 2022 and 2021, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Health System at June 30, 2022 and 2021, and the results of its operations, changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

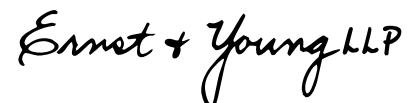
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. We have not performed any procedures with respect to the audited financial statements subsequent to October 28, 2022. The 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 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated, in all material respects, in relation to the 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 28, 2022 on our consideration of the 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 the 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 the Health System's internal control over financial reporting and compliance.



October 28, 2022, except for our report on the Schedule of Expenditures of Federal Awards, for which the date is February 1, 2023

Cedars-Sinai Health System

Consolidated Balance Sheets

(Dollar Amounts Expressed in Thousands)

	June 30	
	2022	2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,178,692	\$ 1,248,138
Short-term investments	1,164,090	952,150
Board-designated assets	1,551,955	1,708,139
Current portion of assets limited as to use:		
Funds held by trustee	8,334	3,356
Pledges receivable	72,865	46,438
Managed care reserve fund	82,240	79,228
Patient accounts receivable	968,693	790,580
Inventory	76,871	62,567
Prepaid expenses and other assets	478,333	291,758
Total current assets	5,582,073	5,182,354
Assets limited as to use:		
Investments	843,869	671,538
Pledges receivable, less current portion	305,235	283,477
Funds held by trustee	680,387	—
Beneficial interest in net assets of Huntington Trust	438,490	—
	2,267,981	955,015
Property and equipment, net	4,362,727	3,496,371
Goodwill and other intangible assets	142,857	165,298
Equity method investments	335,808	230,540
Other noncurrent assets	443,976	256,979
Operating lease right-of-use asset	461,434	392,171
Financing lease right-of-use asset	17,329	13,790
Total assets	\$ 13,614,185	\$ 10,692,518

	June 30	
	2022	2021
Liabilities and net assets		
Current liabilities:		
Accounts payable and other accrued liabilities	\$ 813,705	\$ 555,690
Due to third-party payers	37,308	69,896
Accrued payroll and related liabilities	517,980	440,145
Risk pool liabilities	91,540	109,009
Current maturities of long-term debt	56,715	53,899
Current operating lease liabilities	84,073	78,986
Current financing lease liabilities	6,916	3,664
Total current liabilities	1,608,237	1,311,289
Long-term debt, less current maturities	2,667,185	1,343,656
Long-term operating lease liabilities	442,089	378,299
Long-term financing lease liabilities	12,449	10,345
Accrued workers' compensation and malpractice insurance claims, less current portion	220,768	177,919
Pension liability	62,126	68,062
Other liabilities	84,815	86,597
Net assets:		
Without donor restrictions:		
Controlling interests	6,670,723	6,212,310
Noncontrolling interests	43,086	47,855
With donor restrictions	1,802,707	1,056,186
Total net assets	8,516,516	7,316,351
Total liabilities and net assets	\$ 13,614,185	\$ 10,692,518

Cedars-Sinai Health System

Consolidated Statements of Operations and Changes in Net Assets

(Dollar Amounts Expressed in Thousands)

	Year Ended June 30	
	2022	2021
Net assets without donor restrictions		
Net patient service revenues before Medi-Cal Fee Program	\$ 5,849,795	\$ 4,851,104
Medi-Cal Fee Program revenue	<u>151,059</u>	119,427
Net patient service revenues	6,000,854	4,970,531
Premium revenues	328,225	310,988
Other operating revenues	320,761	296,855
Net assets released from restrictions	276,622	248,701
Contributions of nonfinancial assets	25,896	—
Total revenues, gains, and other support	6,952,358	5,827,075
 Expenses:		
Salaries and related costs	3,269,829	2,718,979
Professional fees	543,325	476,932
Materials, supplies, and other	2,325,111	1,800,730
Medi-Cal Fee Program expense	171,928	133,338
Interest	65,313	37,309
Depreciation and amortization	317,651	254,086
Total expenses	6,693,157	5,421,374
Income from operations	259,201	405,701
 Investment (loss) income	(437,453)	589,749
Income on equity method investments	28,846	52,115
Other components of net periodic benefit credit	34,936	11,169
(Loss) gain on extinguishment of debt	(567)	4,857
(Deficit) excess of revenues over expenses before inherent contribution from affiliation	(115,037)	1,063,591
Inherent contribution from affiliation	434,388	—
Excess of revenues over expenses	319,351	1,063,591
Excess of revenues over expenses attributable to noncontrolling interests	(1,367)	(500)
Excess of revenues over expenses attributable to the Health System	\$ 317,984	\$ 1,063,091

Cedars-Sinai Health System

Consolidated Statements of Operations and Changes in Net Assets (continued)

(Dollar Amounts Expressed in Thousands)

	Year Ended June 30	
	2022	2021
Net assets without donor restrictions (continued)		
Controlling interests activity:		
Excess of revenues over expenses attributable to the Health System	\$ 317,984	\$ 1,063,091
Net assets released from restrictions related to property and equipment	14,364	734
Change in pension liability	126,065	166,642
Increase in net assets without donor restrictions attributable to the Health System	458,413	1,230,467
Noncontrolling interests activity:		
Sale of noncontrolling interest	–	1,630
Excess of revenues over expenses attributable to noncontrolling interests	1,367	500
Distributions to noncontrolling interests	(6,136)	(5,360)
Decrease in net assets without donor restrictions attributable to noncontrolling interests	(4,769)	(3,230)
Increase in net assets without donor restrictions	453,644	1,227,237
Net assets with donor restrictions		
Inherent contribution from affiliation	684,385	–
Contributions, grants, and other	408,211	389,494
Investment (loss) income	(318)	14,980
Net assets released from restrictions	(290,986)	(249,435)
Change in interest in Huntington Trust net assets	(54,771)	–
Increase in net assets with donor restrictions	746,521	155,039
Increase in net assets	1,200,165	1,382,276
Net assets at beginning of year	7,316,351	5,934,075
Net assets at end of year	\$ 8,516,516	\$ 7,316,351

Cedars-Sinai Health System

Consolidated Statements of Cash Flows

(Dollar Amounts Expressed in Thousands)

	Year Ended June 30	
	2022	2021
Operating activities		
Increase in net assets	\$ 1,200,165	\$ 1,382,276
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Inherent contribution from affiliation	(1,118,773)	–
(Gain) loss on disposal of property, plant, and equipment	(71)	11
Depreciation expense	294,229	230,727
Loss (gain) on extinguishment of debt	567	(4,857)
Amortization of goodwill and other intangibles	23,422	23,359
Amortization of deferred financing costs and bond premiums	(14,944)	(10,779)
Amortization of operating lease right-of-use assets	85,753	76,628
Restricted contributions	(32,862)	(29,430)
Unrealized losses (gains) on investments	730,391	(413,657)
Gains on equity method investments	(28,846)	(52,115)
Distributions to noncontrolling interests	6,136	5,360
Distributions from unconsolidated entities	28,901	8,329
Change in interest in net assets of Huntington Trust	54,771	–
Changes in operating assets and liabilities:		
Patient accounts receivable	(81,029)	(211,115)
Due to third-party payers	(79,860)	(22,041)
Inventory, prepaid expenses, and other current assets	(23,248)	(24,917)
Assets limited as to use	(19,998)	(87,300)
Accounts payable and other accrued liabilities	45,256	50,207
Accrued payroll and related liabilities	26,800	44,469
Risk pool liabilities	(17,469)	(4,432)
Operating lease liabilities	(90,779)	(79,012)
Other long-term liabilities	(150,963)	(186,840)
Net cash provided by operating activities before net purchases of trading investments	837,549	694,871
Net purchases of trading investments	(119,283)	(481,871)
Net cash provided by operating activities	718,266	213,000
Investing activities		
Expenditures for property and equipment	(419,870)	(299,113)
Acquisition of property held for future use	(47,423)	–
Purchase consideration for asset acquisitions	(49,283)	(18,517)
Cash acquired in affiliation	64,044	–
Net purchase of assets held by bond trustee	(615,713)	–
Investments in unconsolidated entities	(140,947)	(55,539)
Sales of alternative investments	49,604	159,151
Purchases of alternative investments	(578,628)	(95,805)
Net cash used in investing activities	(1,738,216)	(309,823)

Cedars-Sinai Health System

Consolidated Statements of Cash Flows (continued)

(Dollar Amounts Expressed in Thousands)

	Year Ended June 30	
	2022	2021
Financing activities		
Principal payments on long-term debt	\$ (43,541)	\$ (41,635)
Repayment of short-term note	–	(9,500)
Principal payments on finance lease liabilities	(6,760)	(2,801)
Distributions to noncontrolling interests	(6,136)	(5,360)
Proceeds from borrowings under revolving line of credit	30,000	–
Repayment of revolving line of credit	(30,000)	–
Proceeds from issuance of long-term debt, net of cost of issuance	1,506,455	124,495
Repayment of debt upon extinguishment	(466,499)	(124,655)
Restricted contributions	32,862	29,430
Net cash provided by (used in) financing activities	1,016,381	(30,026)
Decrease in cash, cash equivalents, and restricted cash	(3,569)	(126,849)
Cash, cash equivalents, and restricted cash – beginning of year	1,302,205	1,429,054
Cash, cash equivalents, and restricted cash – end of year	\$ 1,298,636	\$ 1,302,205
Supplemental disclosure of cash flow information		
Interest paid	\$ 60,496	\$ 58,052

The Health System capitalized property and equipment of \$58,808 and \$34,616 at June 30, 2022 and 2021, respectively, that had not been paid and is included on 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, 2022 and 2021

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 California Revenue and Taxation Code. 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. Effective August 4, 2021, the Health System became the sole corporate member of Pasadena Health Association, Ltd. 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, 2022 and 2021. 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 CFHS Holdings, Inc.

Cedars-Sinai Medical Care Foundation is a California nonprofit, public benefit corporation that operates, manages, and maintains primary care and specialty clinics, as well as multispecialty clinics; 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. is a California nonprofit, public benefit corporation that does business as Marina Del Rey Hospital (MDRH). MDRH is 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, 2022 and 2021. The following entities are included in the accompanying consolidated financial statements:

Torrance Health Association, Inc. (THA) is a California nonprofit, public benefit corporation that does business as Torrance Memorial Health System. Cedars-Sinai Health System is the sole corporate member of THA. THA was formed to engage in various health-care-related activities and 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, public benefit 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 is a California nonprofit, public benefit corporation organized to raise funds for the support of TMMC.

Huntington Affiliates – The accompanying consolidated financial statements include the accounts of Pasadena Hospital Association, Ltd. and its affiliates, collectively referred to as the Huntington Affiliates, as of June 30, 2022 and for the period from August 4, 2021 (the date of affiliation) to June 30, 2022. The following entities are included in the accompanying consolidated financial statements:

Pasadena Health Association (PHA) is a California nonprofit, public benefit corporation that does business as Huntington Hospital (HH). Cedars-Sinai Health System is the sole corporate member of PHA. Huntington Hospital is licensed as a 619-bed general acute care hospital that provides inpatient, outpatient, and emergency care services for residents in the surrounding San Gabriel Valley community. PHA is the sole corporate member of Huntington Medical Foundation and is the sole shareholder of Congress Services Corporation.

Huntington Medical Foundation is a California nonprofit, public benefit corporation that does business as Huntington Health Physicians and that conducts medical research and health education and provides health care to its patients through contracted medical groups.

Congress Services Corporation is a California for-profit corporation which has interests in joint ventures that perform a variety of health care services, including outpatient imaging.

Cedars-Sinai Health System

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

2. Affiliations

On July 15, 2020, the Health System entered into an affiliation agreement with PHA for the purpose of PHA joining the Health System's integrated health care delivery system. On August 4, 2021, the affiliation was completed upon the appropriate government regulatory approvals. The Health System became the sole corporate member of PHA as part of the affiliation that includes commitments to continue investment in PHA through 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. The Health System approved PHA's \$560,000 capital strategic plan for the ten-year period ending 2029 and agreed to make up to \$300,000 available for such purpose from such sources as the Health System determines, if needed. The affiliation did not involve consideration and resulted in an excess of fair value of identifiable assets acquired over fair value liabilities assumed under the business combination accounting guidance, which has been recorded as a contribution from affiliation of \$434,388 on the consolidated statement of operations and changes in net assets and a contribution from affiliation of \$684,385 within net assets with donor restrictions on the consolidated statement of changes in net assets. The Collis P. and Howard Huntington Memorial Hospital Trust (the Trust) is a charitable trust which owns properties and investments that are to be held to produce returns for the benefit of PHA. PHA recorded a beneficial interest in the net assets of the Trust of \$493,261 representing the net assets in the Trust that will be used to support the operations of PHA. From the date of affiliation through June 30, 2022, the Health System recognized revenue of \$720,452 and excess of revenues over expenses of \$358,540 attributable to PHA. The Health System recognized fair value estimates of assets acquired and liabilities assumed as follows:

Cash and investments without donor restrictions	\$ 328,236
Assets limited as to use	94,058
Other current assets	195,065
Current liabilities	(226,978)
Property and equipment, net	650,034
Other noncurrent assets	62,544
Beneficial interest in net assets of Huntington Trust	493,261
Total debt	(323,780)
Other noncurrent liabilities	(153,667)
Fair value of net assets	<u>\$ 1,118,773</u>

Cedars-Sinai Health System

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

2. Affiliations (continued)

The following pro forma (unaudited) consolidated financial information presents the Health System's results assuming the PHA affiliation occurred on July 1, 2020:

	Year Ended June 30		
	2022	2022	2021
	<i>Actual</i>	<i>Pro forma (Unaudited)</i>	<i>Pro forma (Unaudited)</i>
Total revenues	\$ 6,952,358	\$ 6,972,971	\$ 6,552,571
Income from operations	259,201	256,605	322,119
Excess (deficit) of revenues over expenses	317,984	(116,978)	1,460,259
Change in net assets without donor restrictions	453,644	18,593	1,681,337
Change in net assets with donor restrictions	746,521	62,797	845,155

Pro forma (unaudited) results include historical (prior to affiliation) activities for the period from July 1, 2020 to August 3, 2021. A nonrecurring inherent contribution from affiliation without donor restrictions of \$434,388 and an inherent contribution from affiliation with donor restrictions of \$684,385 are included within pro forma results in the year ended June 30, 2021.

3. Summary of Significant Accounting Policies

Principles of Consolidation

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (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 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 of goodwill and property and equipment, valuation of deferred gifts, purchase accounting for acquisitions, valuation allowances for receivables,

Cedars-Sinai Health System

Notes to Consolidated Financial Statements (continued)

(Dollar Amounts Expressed in Thousands)

3. Summary of Significant Accounting Policies (continued)

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.

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 reviews and audits.

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 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 based on actual charges incurred in relation to total expected (or actual) charges upon discharge. The Health System believes that this method provides a reasonable depiction of the transfer of services over the term of the performance obligation based on the inputs 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.

Cedars-Sinai Health System

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

3. Summary of Significant Accounting Policies (continued)

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 – Overall – Measurement – The Existence of a Significant Financing Component in the Contract*, 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.

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), *Revenue from Contracts with Customers – Overall – Disclosure – Transaction Price Allocated to the Remaining Performance Obligations*, 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 payer classes for inpatient revenue and outpatient revenue. Based on historical collection trends and other analyses, the Health System has concluded that revenue for a given portfolio would not be materially different from 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

Cedars-Sinai Health System

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

3. Summary of Significant Accounting Policies (continued)

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 payers and 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, 2022 and 2021, was \$1,936 and \$1,558, respectively.

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 such changes occur or when it can be reasonably determined such change is probable. Adjustments arising from a change in the transaction price did not have a material impact on the consolidated financial statements for the years ended June 30, 2022 or 2021.

The Health System is paid a prospectively determined rate for the majority of inpatient acute care and outpatient care provided, including skilled nursing, home health, rehabilitation, and psychiatric services (principally Medicare, Medi-Cal, and certain other insurers). These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Payments for capital are received on a prospective basis for the Health System's medical education costs, subject to certain limits. The Health System is paid for cost reimbursable items at a tentative rate, with final settlement determined after submission of annual cost reports by the Health System and audits by Medicare.

Laws and regulations governing the Medicare and Medi-Cal programs are complex and subject to interpretation as well as significant regulatory action, and in the normal course of business, the Health System is subject to contractual reviews and audits from the Medicare and Medi-Cal

Cedars-Sinai Health System

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

3. Summary of Significant Accounting Policies (continued)

programs. As a result, there is at least a reasonable possibility that recorded estimates will change in the near term. The Health System believes it is in compliance with all applicable laws and regulations governing the Medicare and Medi-Cal programs and that adequate provisions have been made for any adjustments that may result from final settlements, and it 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.

Settlements with third-party payers for retroactive adjustments due to reviews and audits are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care in the period the related services are provided. These settlements are estimated based on the terms of the payment agreement with the payer, correspondence from the payer, and the Health System's historical settlement activity, including an assessment to ensure it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known or as years are settled or are no longer subject to such reviews and audits. Adjustments arising from a change in estimated settlements did not have a material impact on the consolidated financial statements for the years ended June 30, 2022 or 2021.

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

	Year Ended June 30	
	2022	2021
Medicare	\$ 1,270,138	\$ 1,093,380
Medi-Cal	281,084	216,450
Commercial and managed care	4,243,427	3,437,748
Self-pay and other	206,205	222,953
Net patient service revenues	<u>\$ 6,000,854</u>	<u>\$ 4,970,531</u>

Cedars-Sinai Health System

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

3. Summary of Significant Accounting Policies (continued)

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 percentage of inpatient and outpatient services, calculated on the basis of usual and customary charges, is as follows:

	Year Ended June 30	
	2022	2022
Inpatient services	63%	62%
Outpatient services	37	38

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, 2022 and 2021, the Health System incurred \$55,391 and \$47,047, 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 the 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 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 & 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 both probable and estimable. Accordingly, related supplemental payments have been recognized

Cedars-Sinai Health System

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

3. Summary of Significant Accounting Policies (continued)

as revenue and related QA Fees recognized as expense on 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, a 30-month Program covering the period from July 1, 2019 through December 31, 2021, and a 12-month Program covering the period from January 1, 2022 through December 31, 2022. In connection with the Programs, the Health System applied for a grant from the California Health Foundation & Trust (CHFT) related to future shortfalls from the Programs and recorded this grant in other operating revenues. Medi-Cal Fee Programs revenues and expenses are as follows:

	Year Ended June 30	
	2022	2021
Medi-Cal Fee Program revenue	\$ 151,059	\$ 119,427
Medi-Cal Fee Program expense	(171,928)	(133,338)
CHFT grant revenue	27,727	13,911
Income from operations from Medi-Cal Fee Program	\$ 6,858	\$ –

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 participants, including administrative costs and out-of-area or emergency services, are included in professional fees and totaled approximately \$102,604 and \$90,865 for the years ended June 30, 2022 and 2021, 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)

3. 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, 2022 and 2021, the Health System recognized \$30,835 and \$119,053 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 13.

Net Assets Released From Restrictions

Unconditional promises to give cash, marketable securities, and other assets are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are not recognized until the conditions are satisfied or removed. The gifts are reported as net assets with donor restrictions 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. If the purpose relates to operations, net assets released from restrictions are reported on the consolidated statements of operations and changes in net assets and included in excess of revenues over expenses. If the purpose relates to capital, net assets released from restrictions are reported on the consolidated statements of changes in net assets and excluded from excess of revenues over expenses. Donor-restricted contributions relating to financial assets whose restrictions are met within the same year as received are reflected as contributions without donor restrictions in the accompanying consolidated financial statements as other operating revenues. Donor-restricted contributions relating to nonfinancial assets, such as properties, supplies, pharmaceuticals, clothing, and services, whose restrictions are met within the same year as received are reflected as contributions without donor restrictions in the accompanying consolidated financial statements as contributions of nonfinancial assets.

Grant revenue is recognized in the period it is earned based on when the applicable project expenses are incurred and project milestones are achieved. The Health System records grants as conditional contributions which contain barriers that must be overcome by the Health System before grant revenue is recorded. Grant payments received in advance of related project expenses

Cedars-Sinai Health System

Notes to Consolidated Financial Statements (continued)

(Dollar Amounts Expressed in Thousands)

3. Summary of Significant Accounting Policies (continued)

and the achievement of project milestones are recorded as contract liability and included in accounts payable and other accrued liabilities. The Health System recognizes grant revenue on the consolidated statements of operations and changes in net assets as net assets released from restrictions.

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, consistent with U.S. GAAP, primarily include contributions of long-lived assets (including assets acquired using grants or contributions that by donor restrictions were to be used for the purposes of acquiring such assets) and retirement benefits adjustments.

Net Assets With Donor Restrictions

Net assets with donor restrictions are those whose use by the Health System has been restricted by donors or grantors to a specific time period or purpose or those whose use has been restricted by donors and are to be maintained by the Health System in perpetuity. Donor-restricted gifts and bequests are recorded as an addition to net assets with donor restrictions in the period received and include amounts held in perpetuity or for terms designated by the donor. Earnings on donor-restricted gifts are recorded as investment income in net assets with donor restrictions and subsequently used in accordance with the donor's designation. Net assets with donor restrictions are primarily for research, education, and capital projects.

Inventory

Inventory, primarily supplies and pharmaceuticals, 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)

3. Summary of Significant Accounting Policies (continued)

Other Noncurrent Assets

Other noncurrent assets consist of the following:

	June 30	
	2022	2021
Investments without readily determinable fair value	\$ 147,720	\$ 97,219
Property held for future use	140,776	94,019
Self-insurance recoveries receivable	84,449	48,455
Pension plan asset	52,399	–
Other	18,632	17,286
	<u>\$ 443,976</u>	<u>\$ 256,979</u>

The Health System has investments in unconsolidated entities that are accounted for at 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 ownership interest is less than 20% or when the Health System does not have the ability to exercise significant influence over the operating and financial policies of the investee. The Health System evaluates these investments for impairment annually or when indicators of impairment exist. No indicators of impairment existed as of June 30, 2022 or 2021. Based on observable transactions, the Health System recorded increases of \$16,754 and \$1,382 within investment (loss) income in the consolidated statements of operations and changes in net assets for the years ended June 30, 2022 and 2021, respectively.

Equity Method Investments

The Health System has investments in unconsolidated entities that are accounted for under the equity method, and the gain or loss is reflected in the revenue from the investee. The ownership interest in these unconsolidated entities is at least 20% but not more than 50%, reflecting the ability to exercise significant influence over the operating and financial policies of the investee. 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). As of June 30, 2022 and 2021, CSMC's capital

Cedars-Sinai Health System

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

3. Summary of Significant Accounting Policies (continued)

contributions in Tarzana totaled \$224,861 and \$132,732, respectively. The Health System evaluates these investments for impairment annually or when indicators of impairment exist. No indicators of impairment existed as of June 30, 2022 or 2021.

Goodwill and Other Intangibles

Goodwill has resulted from business combinations and represents the excess of the consideration paid over the fair value of the net assets acquired, including identifiable intangible assets, at the acquisition date. The Health System amortizes goodwill in accordance with the goodwill accounting alternative in ASC 350, *Intangibles – 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, 2022 or 2021.

The changes in the carrying amount of goodwill for the years ended June 30 are as follows:

	<u>2022</u>	<u>2021</u>
Goodwill balance, beginning of year	\$ 163,639	\$ 184,958
Goodwill acquired	–	1,825
Goodwill amortized	<u>(23,236)</u>	<u>(23,144)</u>
Goodwill balance, end of year	<u>\$ 140,403</u>	<u>\$ 163,639</u>

Intangible assets other than goodwill are recorded at fair value in the period of acquisition. Intangible assets with finite lives, which consists of noncompete agreements, are amortized over their estimated useful lives.

Acquisitions

The accounting for acquisitions requires extensive use of estimates and judgments to measure the fair value of the identifiable tangible and intangible assets acquired and liabilities assumed. The fair values of acquired tangible and identifiable intangible assets and liabilities assumed are based on their estimated fair values at the acquisition date and are measured using an income and market approach with significant unobservable inputs.

Cedars-Sinai Health System

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

3. 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 21.8% and 18.8% of total operating expenses for the years ended June 30, 2022 and 2021, respectively. The costs associated with these programs and activities are as follows:

	Year Ended June 30	
	2022	2021
Traditional charity care and uninsured patients (Category 1)	\$ 55,391	\$ 47,047
Unpaid cost of state programs (Category 2)	223,104	112,749
Unpaid cost of specialty government programs (Category 3)	7,947	3,798
Unpaid cost of federal programs (Category 4)	684,139	455,237
Research (Category 5)	271,514	252,536
Community benefit (Category 6)	218,091	148,037
Total community benefit	1,460,186	1,019,404
A portion of the above cost was supported by the help of:		
Federal, state, and local grants	117,117	107,571
Charitable giving	31,872	44,429
Community benefit, net of support by others	\$ 1,311,197	\$ 867,404

Cedars-Sinai Health System

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

3. 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 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 is \$240,083 and \$45,407 for the years ended June 30, 2022 and 2021, 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, 2022 and 2021, the Health System received outside support for its research efforts totaling \$148,989 and \$152,000, respectively. Thus, for the years ended June 30, 2022 and 2021, the net cost incurred by the Health System was \$122,525 and \$100,536, respectively.

Cedars-Sinai Health System

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

3. 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. They also include the cost of health promotion and education and health clinics and screenings.

Property and Equipment

Property and equipment purchased by the Health System are recorded at cost. Expenditures that substantially increase the useful lives of existing assets are capitalized while routine maintenance and repairs are expensed as incurred. 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 which do not contain explicit donor stipulations that 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 which 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 350-40, *Intangibles – Goodwill and Other – Internal-Use Software*. 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.

Cedars-Sinai Health System

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

3. Summary of Significant Accounting Policies (continued)

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.

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*. In accordance with ASC 360, the Health System evaluates the recoverability of long-lived assets and the related estimated remaining useful lives when indicators of impairment are present. For purposes of impairment analysis, assets are grouped with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. The Health System records an impairment charge (or changes the useful life) if events or changes in circumstances indicate that the carrying value may not be recoverable (or the useful life has changed). The Health System determined that no assets are impaired at June 30, 2022 or 2021.

Cash and Cash Equivalents

The Health System considers all highly liquid investments with original maturity dates at the time of purchase of three months or less to be cash equivalents. Cash equivalents are recorded at fair value on the consolidated balance sheets and exclude amounts included in assets limited as to use, as those amounts are commingled with long-term investments.

The reconciliation of cash, cash equivalents, and restricted cash within the consolidated balance sheets that comprise the amounts reported on the consolidated statements of cash flows is as follows:

	June 30	
	2022	2021
Cash and cash equivalents	\$ 1,178,692	\$ 1,248,138
Restricted cash in assets limited as to use – investments	119,944	54,067
Total cash, cash equivalents, and restricted cash	<u>\$ 1,298,636</u>	<u>\$ 1,302,205</u>

Cedars-Sinai Health System

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

3. Summary of Significant Accounting Policies (continued)

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 agreements for future capital expenditures, and managed care capitation reserves. The current portion of assets limited as to use include amounts that will be used to pay self-insurance classified as current liabilities.

Investments and Investment Income

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 on 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. The Health System 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. Accordingly, investment income is recorded within excess (deficit) of revenues over expenses on the consolidated statements of operations and changes in net assets, and cash flows from the purchases and sales are recorded within the operating section of the consolidated statements of cash flows based on the intended use for operating purposes.

Commingled investment funds are valued using the net asset value as a practical expedient for fair value as provided by the respective investment companies and partnerships. There are no significant redemption restrictions on the commingled investment funds.

Cedars-Sinai Health System

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

3. Summary of Significant Accounting Policies (continued)

Alternative investments include hedge funds and private equity funds which are primarily limited partnerships and limited liability companies that invest in marketable securities, privately held securities, and real estate. The Health System accounts for its ownership interests in the alternative investments using the net asset value as a practical expedient for fair value. Alternative investments can be divested only at specified times in accordance with terms of the partnership agreements. Hedge fund redemptions typically contain restrictions that allow for a portion of the withdrawal proceeds to be held back from distribution, while the underlying investments are liquidated. These redemptions are subject to lockup provisions that are generally imposed upon initial investment in the fund. Private equity funds are generally closed-end funds and have significant redemption restrictions that prohibit redemptions during the fund's life. As of June 30, 2022 and 2021, these alternative investments comprised approximately 16% and 11%, respectively, of the Health System's total cash, cash equivalents, and investments.

Alternative investments generally are not marketable, and many alternative investments have underlying investments that may not have quoted market values. Additionally, alternative investments may have limited information on a fund's underlying assets and valuation and limited redemption or redemption-penalty provisions. Consequently, alternative investments include certain other risks which may not exist with other investments that are more widely traded. 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.

Financially Interrelated Trust

The Trust's sole purpose is to support the operations of PHA. PHA does not control the Trust and as such does not consolidate it in its financial statements. However, PHA and the Trust are financially interrelated organizations in accordance with ASC 958, *Not-for-Profit Entities*. As the specified beneficiary, PHA reports its interest in the net assets of the Trust in its balance sheet. PHA also adjusts its interest for its share of the change in the net assets of the Trust which is shown within net assets with donor restrictions on its statement of changes in net assets.

For the period from August 4, 2021 (PHA affiliation date) to June 30, 2022, PHA recognized a \$54,771 decrease in its share of the change in the net assets of the Trust. As of June 30, 2022, PHA recorded a beneficial interest in the net of the Trust totaling \$438,490.

Cedars-Sinai Health System

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

3. Summary of Significant Accounting Policies (continued)

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 capitation reserve and included in current portion of assets limited as to use on the accompanying consolidated balance sheets, totaled \$82,240 and \$79,228 at June 30, 2022 and 2021, respectively.

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 \$25,000. 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.

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.

Huntington Hospital is self-insured for professional/malpractice liability claims up to \$1,000 per claim on a claims-made basis. Huntington Hospital is self-insured for general liability claims up to \$1,000 per occurrence on an occurrence basis. The retention aggregate is \$40,000. Huntington Hospital is covered by hospital malpractice commercial insurance for claims in excess of this amount up to a maximum of \$30,000 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 \$129,139 and \$89,669 at June 30, 2022 and 2021, respectively, are recorded using a 3.00% and 1.00% discount factor at June 30, 2022 and 2021, respectively. The current portion of the accruals of \$17,053 and \$17,224 at June 30, 2022 and 2021, respectively, is included in accounts payable and other accrued liabilities.

Cedars-Sinai Health System

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

3. Summary of Significant Accounting Policies (continued)

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 (\$64,547 and \$29,817 at June 30, 2022 and 2021, 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.

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.

Huntington Hospital carries workers' compensation insurance insuring employees with a self-insured primary limit of \$1,000. Huntington Hospital 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 \$137,587 and \$129,237 at June 30, 2022 and 2021, respectively, are recorded using a 3.00% and 1.00% discount factor at June 30, 2022 and 2021, respectively. The current portion of the accruals of \$28,906 and \$23,762 at June 30, 2022 and 2021, respectively, are 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 (\$19,902 and \$18,639 at June 30, 2022 and 2021, respectively). The expected amounts to be recovered through insurance are included in other noncurrent assets on the accompanying consolidated balance sheets.

Cedars-Sinai Health System

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

3. 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 assets, pension liabilities, and long-term obligations. The Health System considers the carrying amounts of current assets and liabilities on 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 6. Alternative investments are recorded at net asset value, which represents a practical expedient of fair value. Tax-exempt financings are carried at amortized cost.

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 federal income tax examinations for years prior to 2018.

Cedars-Sinai Health System

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

3. Summary of Significant Accounting Policies (continued)

Concentrations of Credit Risk

Financial instruments that 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 and limits the amount of its credit exposure by defining the types of investments that may be held and the percentage of the investment portfolio that may be maintained in any given investment type.

The Health System's concentration of credit risk relating to patient receivables is limited due to the diversity of patients and payers. 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 is as follows:

	June 30	
	2022	2021
Medicare	13%	15%
Medi-Cal	2	3
Commercial and managed care	78	74
Self-pay and other	7	8
	<u>100%</u>	<u>100%</u>

Recent Accounting Pronouncements

In September 2020, the FASB issued Accounting Standards Update No. (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which changes the presentation and disclosure requirements for not-for-profit entities to increase transparency about contributed nonfinancial assets. The Health System adopted the new ASU on July 1, 2021, using a retrospective transition method. For the years ended June 30, 2022 and 2021, the Health System recorded contributions of nonfinancial assets totaling \$25,896 and \$0, respectively, on the consolidated statements of operations and changes in net assets.

Cedars-Sinai Health System

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

3. Summary of Significant Accounting Policies (continued)

In August 2018, the FASB issued ASU 2018-15, *Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*, which aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. Amortization of capitalized implementation costs is required to be presented in the same line item on the consolidated statement of operations and changes in net assets as the expense for fees associated with the hosting arrangement. The Health System adopted the new ASU on July 1, 2021, using a prospective transition method. As of June 30, 2022, the Health System recorded \$23,201 of unamortized capitalized implementation costs in prepaid expenses and other assets on the consolidated balance sheet. For the year ended June 30, 2022, the Health System recorded \$0 of amortization expense in materials, supplies, and other on the consolidated statement of operations and changes in net assets.

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 Health System adopted the new ASU on June 30, 2022, using a retrospective transition method. The adoption of ASU 2018-14 did not have a material impact on the Health System’s consolidated financial statements.

Cedars-Sinai Health System

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

4. Property and Equipment

Property and equipment consist of the following:

	June 30	
	2022	2021
Land	\$ 378,284	\$ 297,984
Buildings and land improvements	4,529,705	3,757,318
Equipment	856,661	715,408
Software and software implementation costs	873,394	846,002
	6,638,044	5,616,712
Less accumulated depreciation and amortization	2,740,303	2,431,623
	3,897,741	3,185,089
Construction-in-progress	464,986	311,282
	\$ 4,362,727	\$ 3,496,371

Depreciation and amortization expense on property and equipment was \$294,229 and \$230,727 for the years ended June 30, 2022 and 2021, respectively.

Construction-in-progress consists of the following:

	June 30	
	2022	2021
Buildings and land improvements	\$ 347,552	\$ 271,864
Equipment	21,907	20,057
Software and software implementation costs	89,777	12,598
Capitalized interest	5,750	6,763
	\$ 464,986	\$ 311,282

Cedars-Sinai Health System

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

5. Long-Term Debt

Long-term debt issued and outstanding is as follows:

	June 30		2022		2021
\$148,400 Revenue Bonds, Series 2011; final principal payment of \$19,845 was due through August 2021; the amount reported includes a face value of \$0 and \$19,845, unamortized premiums of \$0 and \$43, and unamortized deferred financing costs of \$0 and \$4 at June 30, 2022 and 2021, respectively	\$	-	\$	19,884	
\$370,220 Revenue Bonds, Series 2015; principal payments of \$8,900 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 \$354,590 and \$361,500, unamortized premiums of \$30,244 and \$35,877, and unamortized deferred financing costs of \$1,062 and \$1,280 at June 30, 2022 and 2021, respectively	383,772			396,097	
\$267,420 Revenue Bonds, Series 2016A; principal payments of \$7,070 to \$38,905 are due annually through August 2036; interest is payable semiannually at 5.0%; the amount reported includes a face value of \$237,795 and \$244,520, unamortized premiums of \$31,553 and \$35,075, and unamortized deferred financing costs of \$917 and \$1,019 at June 30, 2022 and 2021, respectively	268,431			278,576	
\$402,305 Revenue Bonds, Series 2016B; principal payments of \$1,780 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 \$398,975 and \$400,680, unamortized premiums of \$23,213 and \$24,910, and unamortized deferred financing costs of \$1,676 and \$1,802 at June 30, 2022 and 2021, respectively	420,512			423,788	
\$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, unamortized discounts of \$0, and unamortized deferred financing costs of \$911 at June 30, 2021; repaid callable bonds in fiscal year 2022	-			61,609	
\$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, unamortized discounts of \$0, and unamortized deferred financing costs of \$403 at June 30, 2021; repaid callable bonds in fiscal year 2022	-			33,457	

Cedars-Sinai Health System

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

5. Long-Term Debt (continued)

	June 30	
	2022	2021
\$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, unamortized discounts of \$333, and unamortized deferred financing costs of \$120 at June 30, 2021; repaid callable bonds in fiscal year 2022	\$	– \$ 26,137
\$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, unamortized discounts of \$296, and unamortized deferred financing costs of \$117 at June 30, 2021; repaid callable bonds in fiscal year 2022		– 18,342
\$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; repaid callable bonds in fiscal year 2022		– 124,495
\$100,000 Revenue Bonds, Series 2018; principal payments of \$1,720 to \$9,045 are due annually through July 2048; interest is payable semiannually at 4.0% to 5.0%; the amount reported includes a face value of \$96,625, unamortized premiums of \$16,497, and unamortized deferred financing costs of \$0 at June 30, 2022	113,122	–
\$300,000 Revenue Bonds, Series 2021; one principal payment of \$300,000 is due in August 2031; interest is payable semiannually at 2.3%; the amount reported includes a face value of \$300,000, unamortized premiums of \$0, and unamortized deferred financing costs of \$1,768 at June 30, 2022	298,232	–
\$1,034,365 Revenue Bonds, Series 2021A; principal payments of \$1,390 to \$113,875 are due annually through August 2051; interest is payable semiannually at 4.0% to 5.0%; the amount reported includes a face value of \$1,034,365, unamortized premiums of \$176,130, and unamortized deferred financing costs of \$6,275 at June 30, 2022	1,204,220	–
Other notes payable	35,611	15,170
Total	2,723,900	1,397,555
Less current maturities	56,715	53,899
	\$ 2,667,185	\$ 1,343,656

Cedars-Sinai Health System

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

5. Long-Term Debt (continued)

As part of a debt consolidation plan, the debt previously issued by TMMC and PHA (excluding CSMC) was consolidated into a single combined group in December 2021 in connection with the issuance of the 2021 taxable and tax-exempt bonds under an amended Master Trust Indenture (MTI). The MTI has an Obligated Group that comprises Cedars-Sinai Health System, CSMC, MDRH, TMMC, and PHA (the Obligated Group). Members of the Obligated Group are jointly and severally liable under the MTI to make all payments required with respect to obligations under the MTI. The MTI requires certain covenants and reporting requirements be met by the Obligated Group. The Health System believes it is in compliance with these covenants and conditions as of June 30, 2022.

In December 2021, the Health System issued \$1,334,365 of California Health Facilities Financing Authority Revenue Bonds, composed of the Taxable 2021 Series Revenue Bonds totaling \$300,000 and the Tax-Exempt 2021A Series Revenue Bonds totaling \$1,034,365. The proceeds totaled \$1,514,763, including a premium on the 2021A Series Revenue Bonds of \$180,398, which will be amortized as a reduction to interest expense over the life of the bonds. Total issuance costs of \$8,308 were incurred in connection with the issuance. Prior to the issuance of the 2021 taxable and tax-exempt bonds, CSMC terminated its existing credit agreements with two different banks.

The proceeds from the 2021 Series Revenue Bonds will be used for general working capital purposes. Portions of the proceeds from the 2021A Series Revenue Bonds will be used to perform all of the following:

- Finance the costs of future capital expenditures, including constructing a new replacement hospital for MDRH, which is scheduled to be completed in 2026.
- Advance refund all of TMMC's bonds that were callable totaling \$258,110. A loss on extinguishment of debt of \$2,255 was recognized, which represents the difference between the amount paid and the net carrying value of the retired bonds.
- Deposit in escrow accounts to pay principal and interest on PHA's 2014A and 2014B Series Revenue Bonds until they are callable in July 2024 totaling \$211,927. A gain on extinguishment of debt of \$1,688 was recognized, which represents the difference between the amount paid and the net carrying value of the retired bonds. PHA's 2018 Series Revenue Bonds are currently outstanding.

Cedars-Sinai Health System

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

5. Long-Term Debt (continued)

The combined aggregate amounts of annual maturities and sinking fund requirements on all long-term debt (excluding the unamortized net premiums of \$277,637 and unamortized debt issuance costs of \$11,698 at June 30, 2022) as of June 30, 2022 are as follows:

2023	\$ 39,196
2024	41,707
2025	43,247
2026	45,407
2027	47,698
Thereafter	2,240,706
	\$ 2,457,961

The components of net interest expense include the following:

	Year Ended June 30	
	2022	2021
Interest expense	\$ 71,919	\$ 45,101
Capitalized interest expense as part of construction-in-progress	(6,606)	(7,792)
Interest expense, net	\$ 65,313	\$ 37,309

6. Retirement Plans

The Health System members maintain several pension plans for their employees.

The Cedars-Sinai Defined Contribution Plan substantially covers all its employees. Contributions under this plan are calculated based on each employee's years of service and salary and amounted to approximately \$58,147 and \$56,679 for the years ended June 30, 2022 and 2021, respectively.

Cedars-Sinai Health System

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

6. Retirement Plans (continued)

The Cedars-Sinai Defined Benefit Plan offers a noncontributory defined benefit plan to its employees. Contributions under this plan totaled \$33,137 and \$40,000 for the years ended June 30, 2022 and 2021, respectively. Qualified 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's employees participate in a 403(b) plan sponsored by Cedars-Sinai. Under the provisions of the plan, participating employees may make voluntary contributions of 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 \$31,123 and \$28,171 for the years ended June 30, 2022 and 2021, respectively.

The THA Defined Benefit Plan offers a noncontributory defined benefit retirement plan that was amended in 2009 to freeze participation in the plan to those individuals employed by THA on or before December 31, 2009. Individuals employed subsequent to this date become eligible for participation in the THA 401(a) Plan, a defined contribution plan, to be funded 100% by THA. On February 26, 2020, THA further amended the THA Defined Benefit Plan to cease benefit accruals and freeze plan participation effective June 27, 2020.

On January 1, 2010, THA began the THA 401(a) Plan. Contributions to the THA 401(a) Plan are made entirely by THA and range from 3% to 6% of annual compensation, based on years of service. Following the freeze of the THA Defined Benefit Plan in 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 THA now range from 3% to 11% of annual compensation, based on years of service. THA's contributions to the THA 401(a) Plan amounted to approximately \$17,053 and \$17,092 for the years ended June 30, 2022 and 2021, respectively.

THA'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. THA matches eligible employee contributions at rates between 20% to 100% with a maximum limit of eight hundred dollars per year based upon years of service with THA prior to June 30, 2020. THA discontinued employer matching contributions effective June 30, 2020.

Cedars-Sinai Health System

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

6. Retirement Plans (continued)

The PHA Defined Benefit Plan offers a noncontributory defined benefit retirement plan that was amended in 2013. Effective July 1, 2013, the plan was closed to new participants and all benefit accruals under the plan were frozen. Contributions under this plan totaled \$1,936 for the year ended June 30, 2022.

The PHA Defined Contribution Plan covers all its employees. Contributions under this plan totaled \$3,686 for the year ended June 30, 2022.

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 of Cedars-Sinai Health System's defined benefit plans (the Health System Plans) at June 30 and for the years then ended.

	Year Ended June 30	
	2022	2021
Change in projected benefit obligations:		
Projected benefit obligation at beginning of year	\$ 1,342,598	\$ 1,268,722
Inherent contribution from affiliation	249,152	–
Service cost	50,613	46,887
Interest cost	33,608	29,241
Actuarial (gains) losses	(363,131)	42,300
Benefits paid	(46,372)	(37,703)
Settlements	(14,692)	(6,370)
Amendments	–	(479)
Projected benefit obligation at end of year	<u>1,251,776</u>	1,342,598
Change in plan assets:		
Fair value of plan assets at beginning of year	1,274,536	1,025,317
Inherent contribution from affiliation	164,410	–
Actual (loss) gain on plan assets	(169,652)	248,981
Employer contributions	35,073	45,400
Benefits paid	(46,372)	(37,703)
Expenses paid	(1,254)	(1,089)
Settlements	(14,692)	(6,370)
Fair value of plan assets at end of year	<u>1,242,049</u>	1,274,536
Funded status	<u>\$ (9,727)</u>	<u>\$ (68,062)</u>

Cedars-Sinai Health System

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

6. Retirement Plans (continued)

	June 30	
	2022	2021
Composition of plan assets:		
Short-term money market funds	6%	8%
Government and corporate debt	13	14
U.S. government agencies and asset-backed securities	1	2
Equity securities	13	19
Mutual funds	46	53
Common/collective trusts	21	4
	100%	100%
	June 30	
	2022	2022
Amounts recognized as pension liability on the consolidated balance sheet	\$ (62,126)	\$ (68,062)
Amounts recognized as pension assets on the consolidated balance sheet	52,399	–
Net pension liability on the consolidated balance sheet	\$ (9,727)	\$ (68,062)
Accumulated benefit obligation	\$ 1,216,591	\$ 1,294,988
	Year Ended June 30	
	2022	2021
Net periodic benefit cost recognized:		
Service cost	\$ 50,613	\$ 46,887
Interest cost	33,608	29,241
Expected return on plan assets	(77,409)	(61,267)
Amortization of net loss	10,996	20,587
Amortization of prior service costs	253	270
Settlements	(2,384)	–
Net periodic benefit cost recognized	\$ 15,677	\$ 35,718

Cedars-Sinai Health System

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

6. Retirement Plans (continued)

	June 30	
	2022	2021
Weighted average assumptions used to determine benefit obligations consist of the following:		
Discount rate used to determine service cost	N/A* or 2.94%	N/A* or 3.05%
Discount rate used to determine projected benefit obligation	4.73% to 4.76%	2.81%
Expected long-term rate of return on plan assets	5.75% to 6.00%	5.75% to 6.00%
Rate of increase in future compensation levels	N/A* or 4.00%	N/A* or 4.00%

* N/A represents a frozen plan that does not include service costs.

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.

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

	June 30	
	2022	2021
Unrecognized prior service costs	\$ (395)	\$ (141)
Unrecognized prior loss	64,837	188,029
Total	\$ 64,442	\$ 187,888

Plan 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.

Cedars-Sinai Health System

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

6. 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 a 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 Health System Plans carried at fair value by level in the valuation hierarchy. Alternative investments are recorded at net asset value, which is a practical expedient for fair value:

	Level 1	Level 2	Level 3	Fair Value
June 30, 2022				
Cash and cash equivalents	\$ 69,310	\$ –	\$ –	\$ 69,310
Equities	161,256	–	–	161,256
U.S. government issues	34,891	–	–	34,891
U.S. government agencies and asset-backed securities	–	16,224	–	16,224
Corporate bonds	–	123,876	–	123,876
Mutual funds	575,125	–	–	575,125
Other	–	–	912	912
	\$ 840,582	\$ 140,100	\$ 912	981,594
Investments measured at net asset value				260,455
				\$ 1,242,049

Cedars-Sinai Health System

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

6. Retirement Plans (continued)

	Level 1	Level 2	Fair Value
June 30, 2021			
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
Investments measured at net asset value			52,015
			<u>\$ 1,274,536</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.

Plan assets are exposed to risk and fluctuations in market value from year to year. To minimize risk, each manager maintains a diversification of its 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. 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, Standard and Poor's 500 stock index, or other appropriate international equity index.

Cedars-Sinai Health System

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

6. Retirement Plans (continued)

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 for the years ended June 30:

2023	\$ 117,168
2024	64,635
2025	69,138
2026	70,394
2027	72,708
2028 through 2032	393,967

7. 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	
	2022	2021
Interest and dividend income	\$ 47,204	\$ 38,982
Realized gains	245,416	152,089
Unrealized (losses) gains	(730,391)	413,658
	\$ (437,771)	\$ 604,729
Investment (loss) income without donor restrictions	\$ (437,453)	\$ 589,749
Investment (loss) income with donor restrictions	(318)	14,980
	\$ (437,771)	\$ 604,729

Cedars-Sinai Health System

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

7. Investments (continued)

The following table presents the financial instruments carried at fair value by valuation hierarchy, as defined in Note 6. 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, 2022 or 2021. Fair values are based on the market approach valuation technique as defined in Note 6.

	Level 1	Level 2	Fair Value
June 30, 2022			
Cash and cash equivalents in assets limited to use	\$ 119,944	\$ –	\$ 119,944
Equities	475,799	–	475,799
U.S. government debt	388,249	–	388,249
U.S. government agencies and asset-backed securities	–	51,534	51,534
Corporate debt (domestic)	–	1,122,837	1,122,837
Foreign government debt	–	128,585	128,585
Mutual funds and other	1,166,211	–	1,166,211
	\$ 2,150,203	\$ 1,302,956	3,453,159
Alternative investments measured at net asset value			877,716
			\$ 4,330,875
	Level 1	Level 2	Fair Value
June 30, 2021			
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)

7. Investments (continued)

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, 2022, alternative investments recorded at net asset value consisted of the following:

	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice
Hedge funds	\$ 266,191	\$ –	Monthly to annual	30–90 days
Private equity funds	59,445	92,793	None	None
Commingled equity funds	552,080	–	Monthly to quarterly	30–90 days
Total alternative investments	\$ 877,716	\$ 92,793		

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	\$ 258,871	\$ –	Monthly to annual	30–90 days
Private equity funds	45,883	28,136	None	None
Commingled equity funds	144,637	–	Monthly to quarterly	30–90 days
Total alternative investments	\$ 449,391	\$ 28,136		

Hedge funds: This class includes investments in hedge funds that pursue diversification of both domestic and foreign fixed-income and equity securities through multiple investment strategies. The primary objective for these funds is to seek attractive long-term, risk-adjusted absolute returns. Under certain circumstances, an otherwise redeemable investment or portion thereof could become restricted.

Cedars-Sinai Health System

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

7. Investments (continued)

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. Distributions from each fund will be received as the underlying investments of the fund are liquidated. There are no provisions for redemptions during the life of these funds.

Commingled equity funds: This class includes investments in commingled funds that invest primarily in domestic or foreign equity securities with multiple investment strategies. A majority of the funds attempt to match or exceed the returns of specific equity indices.

8. Availability of Financial Assets

The following reflects the Health System's financial assets reduced by amounts not available for general use within one year of the consolidated balance sheet date because of contractual or donor-imposed restrictions:

	June 30	
	2022	2021
Cash and cash equivalents	\$ 1,178,692	\$ 1,248,138
Short-term investments	1,164,090	952,150
Board-designated assets	1,551,955	1,708,139
Patient accounts receivable	968,693	790,580
	<u>\$ 4,863,430</u>	<u>\$ 4,699,007</u>

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 3, 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.

Cedars-Sinai Health System

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

9. Net Assets With Donor Restrictions

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

	June 30	
	2022	2021
Health care services	\$ 650,333	\$ 487,566
Purchase of capital assets	76,044	39,538
Health education and research	186,034	150,606
Endowment funds	451,806	378,476
Beneficial interest in net assets of Huntington Trust	438,490	—
	\$ 1,802,707	\$ 1,056,186

During the years ended June 30, 2022 and 2021, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes of health care services and health education totaling \$276,622 and \$248,701, respectively, and capital expenditures and contributions totaling \$14,364 and \$734, respectively.

Endowment funds at June 30, 2022 and 2021, are restricted to investments that are to be held in perpetuity to provide a permanent source of income.

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 0.49% to 13.82%). Pledges receivable in donor-restricted net assets are scheduled to be received as follows:

	June 30	
	2022	2021
Due in one year or less	\$ 78,524	\$ 53,386
Due after one year through five years	183,377	167,841
Due after five years	160,938	156,106
Total	422,839	377,333
Allowance for uncollectible pledges and discounting	(44,739)	(47,418)
Pledges receivable	378,100	329,915
Less current portion	72,865	46,438
	\$ 305,235	\$ 283,477

Cedars-Sinai Health System

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

9. Net Assets With Donor Restrictions (continued)

During the years ended June 30, 2022 and 2021, the Health System had the following endowment-related activities:

	With Donor Restrictions	Without Donor Restrictions	Total
Endowment net assets, beginning of year – July 1, 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
Inherent contribution from affiliation	51,232	64,242	115,474
Contributions	21,562	35,185	56,747
Other transfers	–	109	109
Investment income (loss)	12,588	(147,515)	(134,927)
Transfers of investment income	(12,052)	(2,085)	(14,137)
Endowment net assets, end of year – June 30, 2022	\$ 451,806	\$ 755,762	\$ 1,207,568

The Health System's endowment consists of 314 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 value of the original and subsequent donor gift amounts. The Health System had no deficiencies of this nature in donor-restricted endowment funds as of June 30, 2022 or 2021.

Cedars-Sinai Health System

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

9. Net Assets With Donor Restrictions (continued)

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 which 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.

10. 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 whether 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.

Cedars-Sinai Health System

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

10. Leases (continued)

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 are as follows:

	June 30	
	2022	2021
Weighted average operating leases remaining lease term	6.8 years	7.1 years
Weighted average finance leases remaining lease term	3.3 years	4.4 years
Weighted average operating lease discount rate	1.9%	1.8%
Weighted average finance lease discount rate	1.6	1.1

Cedars-Sinai Health System

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

10. Leases (continued)

Lease expense for lease payments is recognized on a straight-line basis over the lease term. The components of lease expense are as follows:

	Year Ended June 30	
	2022	2021
Operating lease expense	\$ 97,219	\$ 86,155
Variable lease expense	42,016	32,492
Short-term lease expense	127	254
Sublease income	(4,462)	(4,621)
Finance lease expense:		
Amortization of leased assets	7,938	2,275
Interest on lease liabilities	476	98
Total lease expense	\$ 143,314	\$ 116,653

Supplemental cash flow information related to leases is as follows:

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

	Year Ended June 30	
	2022	2021
Operating cash flows from operating leases	\$ 100,860	\$ 88,317
Operating cash flows from finance leases	131	88
Financing cash flows from finance leases	6,678	2,800
Lease assets obtained in exchange for new operating lease liabilities	\$ 116,185	\$ 64,286
Lease assets obtained in exchange for new finance lease liabilities	1,558	10,276

Cedars-Sinai Health System

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

10. 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, 2022:

	Operating Leases	Finance Leases	Total
2023	\$ 93,231	\$ 7,029	\$ 100,260
2024	89,952	5,274	95,226
2025	82,784	3,633	86,417
2026	72,771	2,874	75,645
2027	64,794	676	65,470
Thereafter	161,038	32	161,070
Total lease payments	564,570	19,518	<u>\$ 584,088</u>
Less interest	(38,408)	(153)	
Total lease liabilities	<u>\$ 526,162</u>	<u>\$ 19,365</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 on THA's statement of operations. The amount recorded in property and equipment under these leases as of June 30, 2022 and 2021, is \$37,728 and \$38,841, respectively, net of 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, 2022 and 2021, is \$2,217 and \$2,051, respectively. The amount recorded in other liabilities representing the noncurrent portion of the sale-leaseback liability as of June 30, 2022 and 2021, is \$82,680 and \$84,897, respectively.

Cedars-Sinai Health System

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

11. Commitments and Contingencies

Pending claims and legal proceedings at June 30, 2022, 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, including class actions and those filed pursuant to the CA Private Attorneys General Act (PAGA), filed against hospitals are somewhat commonplace, particularly PAGA actions that only require one aggrieved individual with one labor code violation to represent on behalf of himself or herself and others in the hospital field. The Health System is now defending a handful 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, although only one is currently in active litigation. The rest are stayed pending outcomes of individual claims in arbitration, settled and awaiting court approval, or dismissed. Outside counsel that has been retained to defend these cases will vigorously defend the Health System. For those cases in active litigation, the cost and outcome 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.

Cedars-Sinai Health System

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

11. Commitments and Contingencies (continued)

The Health System cannot predict the results of current or future claims and lawsuits. The Health System recognizes that, where appropriate, its 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 ultimate resolution of claims against the Health System, individually or in the aggregate, could have a material adverse effect on its business (both in the near and long term), consolidated financial position, results of operations, or cash flows.

12. Functional Expenses

The Health System provides general health care services to residents within its geographic location. Expenses related to providing these services are as follows:

	Health Care Services	General and Administrative	Fundraising	Total
Year ended June 30, 2022				
Salaries and related costs	\$ 2,896,491	\$ 359,693	\$ 13,645	\$ 3,269,829
Professional fees	543,325	-	-	543,325
Materials, supplies, and other	2,019,979	299,008	6,124	2,325,111
Medi-Cal Fee Program expense	171,928	-	-	171,928
Interest	40,818	24,495	-	65,313
Depreciation and amortization	283,044	34,607	-	317,651
	<u>\$ 5,955,585</u>	<u>\$ 717,803</u>	<u>\$ 19,769</u>	<u>\$ 6,693,157</u>
Year ended June 30, 2021				
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
	<u>\$ 4,814,277</u>	<u>\$ 594,163</u>	<u>\$ 12,934</u>	<u>\$ 5,421,374</u>

Cedars-Sinai Health System

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

12. Functional Expenses (continued)

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.

13. COVID-19

In March 2020, the World Health Organization declared the novel coronavirus disease (COVID-19) a pandemic. The Centers for Disease Control and Prevention confirmed its spread to the United States and it was declared a national public health emergency, followed by several state emergency declarations and 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 its 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 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 June 2022, the nation experienced multiple surges 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.

Cedars-Sinai Health System

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

13. COVID-19 (continued)

From April 2020 through December 2021, the Health System received \$290,880 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, 2022, the Health System believes there is reasonable assurance the applicable terms and conditions required to retain the funds are met as of June 30, 2022 and 2021. Therefore, the Health System recorded the payments of \$30,835 and \$119,053 in other operating revenues on the consolidated statements of operations and changes in net assets for the years ended June 30, 2022 and 2021, respectively. The Health System will 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.

From December 2021 through April 2022, CSMC received \$28,000 in business interruption insurance recoveries due to the aforementioned additional costs incurred in response to COVID-19. The entire amount was recognized as a reduction to materials, supplies, and other expenses on the consolidated statement of operations and changes in net assets for the year ended June 30, 2022.

Additionally, TMMC and HH (pre-affiliation) received approximately \$59,000 and \$66,500, respectively, 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 on the consolidated balance sheets. The repayment process started in April 2021. The unpaid balance as of June 30, 2022 and 2021, was \$20,750 and \$51,893, respectively.

14. Subsequent Events

The Health System performed a review of events subsequent to June 30, 2022 through October 28, 2022, the date the consolidated financial statements were issued.

Cedars-Sinai Health System

Notes to Consolidated Financial Statements (continued)

(Dollar Amounts Expressed in Thousands)

14. Subsequent Events (continued)

Effective July 1, 2022, Cedars-Sinai created Third Street Insurance Company (SAC) Ltd., a Bermuda exempted company Class 2 insurer under the Insurance Act 1978 (Third Street). It is intended that Third Street via its segregated account, Medical Center SA, will provide indemnification for risk associated with the health care professional liability and comprehensive general liability programs for the Health System. The indemnification will include CSMC, MDRH, TMMC and PHA. Third Street is 100% owned by the Health System, and the initial capital and surplus was funded by the Health System.

On September 29, 2022 CMS approved the 2022 Hospital Fee Program, originally submitted on December 31, 2021. This 12-month program covers the period from January 1, 2022 through December 31, 2022. With respect to this program, the Health System recorded Medi-Cal Fee Program revenues of \$67,664, Medi-Cal Fee Program expenses of \$84,770, and CHFT grant revenues of \$17,106 in the consolidated statement of operations and changes in net assets in the year ended June 30, 2022.

Reports Required by the Uniform Guidance



Ernst & Young LLP
Suite 500
725 South Figueroa Street
Los Angeles, CA 90017-5418

Tel: +1 213 977 3200
Fax: +1 213 977 3152
ey.com

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 of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of Cedars-Sinai Health System, which comprise the consolidated balance sheets as of June 30, 2022 and 2021, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated October 28, 2022.

Report on 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.

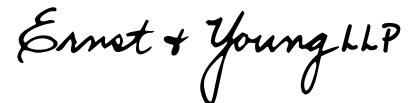
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Report on 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.



October 28, 2022



Ernst & Young LLP
Suite 500
725 South Figueroa Street
Los Angeles, CA 90017-5418

Tel: +1 213 977 3200
Fax: +1 213 977 3152
ey.com

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 of Independent Auditors on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Cedars-Sinai Health System's compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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.

In our opinion, Cedars-Sinai Health System complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Cedars-Sinai Health System and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on compliance for the major federal program. Our audit does not provide a legal determination of Cedars-Sinai Health System's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Cedars-Sinai Health System's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Cedars-Sinai Health System's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Cedars-Sinai Health System's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Cedars-Sinai Health System's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Cedars-Sinai Health System's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Cedars-Sinai Health System's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

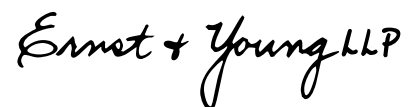
Report on Internal Control Over Compliance

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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.



February 1, 2023

Supplementary Information

Cedars-Sinai Health System

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2022

Federal Grantor/Program or Cluster Title/ Pass-Through Grantor	Assistance Listing Number	Pass-Through Grantor Identifying Number	Research and Development Cluster	Other Expenditures	Total Expenditures	Expenditures to Subrecipients
U.S. Department of Agriculture						
Agricultural Research Basic and Applied Research						
Pass Through – Arkansas Children’s Research Institute	10.001	58-6026-7-001	\$ 9,076	\$ –	\$ 9,076	\$ –
Total U.S. Department of Agriculture			9,076	–	9,076	–
U.S. Department of Commerce						
Economic Development Cluster:						
Economic Adjustment Assistance	11.307		(46,047)	–	(46,047)	–
Total Economic Development Cluster			(46,047)	–	(46,047)	–
Total U.S. Department of Commerce			(46,047)	–	(46,047)	–
U.S. Department of Defense						
Military Medical Research and Development	12.420		10,324,888	–	10,324,888	1,768,421
Pass Through – Dana-Farber Cancer Institute	12.420	W81XWH-19-10564	23,935	–	23,935	–
Pass Through – Duke University	12.420	W81XWH-14-1-0111	(1,112)	–	(1,112)	–
Pass Through – MTEC	12.420	W81XWH-15-9-0001	211,145	–	211,145	–
Pass Through – MTEC	12.420	W81XWH-20-9-0022	1,061,194	–	1,061,194	–
Pass Through – The University of Tennessee on Behalf of its Health Science Center	12.420	W81XWH-18-10266	47,551	–	47,551	–
Pass Through – University of Alabama at Birmingham	12.420	W81XWH-19-1-0558	35,397	–	35,397	–
Pass Through – University of California San Diego	12.420	W81XWH-18-2-0009	44,183	–	44,183	–
Pass Through – University of Florida	12.420	W81XWH-17-2-0030	671,153	–	671,153	–
Pass Through – Weill Cornell Medical College	12.420	W81XWH-19-10141	566	–	566	–
Total U.S. Department of Defense			12,418,900	–	12,418,900	1,768,421
National Science Foundation						
Engineering	47.041		144,765	–	144,765	–
Social, Behavioral, and Economic Sciences	47.075		188,953	–	188,953	–
Total National Science Foundation			333,718	–	333,718	–
U.S. Department of Veterans Affairs						
Veterans Medical Care Benefits	64.009		–	12,884	12,884	–
Pass Through – Veterans Affairs Greater Los Angeles Healthcare	64.009	691-D08067	–	(12,409)	(12,409)	–
Pass Through – Veterans Affairs Greater Los Angeles Healthcare	64.009	691-D08065	–	(10,047)	(10,047)	–
Pass Through – Veterans Affairs Greater Los Angeles Healthcare	64.009	691-D18081	–	29,709	29,709	–
Pass Through – Veterans Affairs Greater Los Angeles Healthcare	64.009	691-D18082	–	76,129	76,129	–
Pass Through – Veterans Affairs Greater Los Angeles Healthcare	64.009	691-D28026	–	5,216	5,216	–
Total U.S. Department of Veterans Affairs			–	101,482	101,482	–
U.S. Department of Health and Human Services						
National Cancer Institute						
Pass Through – University of Arizona	93.RD	HHSN2612012000311	22,195	–	22,195	–
Pass Through – Northwestern University	93.RD	HHSN2612012000351	27,717	–	27,717	–
Pass Through – Northwestern University	93.RD	SP001604060045298	213,231	–	213,231	–
Pass Through – Northwestern University	93.RD	SP001604060045323	62,951	–	62,951	–
Pass Through – NRG Oncology	93.RD	CA016-NRG	22,457	–	22,457	–
Total 93.RD			348,551	–	348,551	–
Food and Drug Administration Research	93.103		9,452	–	9,452	5,046
Pass Through – Yale University	93.103	5U01FD005938	34,250	–	34,250	–
Total 93.103			43,702	–	43,702	5,046

Cedars-Sinai Health System

Schedule of Expenditures of Federal Awards (continued)

Year Ended June 30, 2022

Federal Grantor/Program or Cluster Title/ Pass-Through Grantor	Assistance Listing Number	Pass-Through Grantor Identifying Number	Research and Development Cluster	Other Expenditures	Total Expenditures	Expenditures to Subrecipients
Environmental Health	93.113		\$ 86,635	\$ -	\$ 86,635	\$ -
Oral Diseases and Disorders Research						
Pass Through – University of Rochester	93.121	R01 DE019902	(1,188)	-	(1,188)	-
Human Genome Research						
Pass Through – Broad Institute	93.172	U01HG11723	8,486	-	8,486	-
Pass Through – University of California San Diego	93.172	R01HG011066	203,374	-	203,374	-
Total 93.172			211,860	-	211,860	-
Research on Healthcare Costs, Quality and Outcomes						
Pass Through – RAND Corporation	93.226	1R18HS026168-01A1	261,645	-	261,645	-
Pass Through – University of South Carolina	93.226	1R01HS026491-01	25,304	-	25,304	-
Total 93.226			204,022	-	204,022	-
			490,971	-	490,971	-
Mental Health Research Grants						
Pass Through – California Institute of Technology	93.242	P50MH094258	173,473	-	173,473	-
Pass Through – Michigan State University	93.242	R01MH123716	71,794	-	71,794	-
Pass Through – University of Minnesota	93.242	R01MH115046	27,976	-	27,976	-
Pass Through – University of North Carolina	93.242	U01MH070890	238,989	-	238,989	-
Total 93.242			(19,306)	-	(19,306)	-
			492,926	-	492,926	-
Alcohol Research Programs						
Pass Through – Indiana University	93.273	1U01AA026817-01A1	1,313,543	-	1,313,543	90,150
Pass Through – University of California Irvine	93.273	R01AA028735	210,707	-	210,707	-
Pass Through – University of Kentucky	93.273	7R01AA028735-03	3,742	-	3,742	-
Pass Through – University of Southern California	93.273	P50AA011999	21,210	-	21,210	-
Pass Through – University of Wisconsin	93.273	R01AA028852	35,967	-	35,967	-
Total 93.273			113,846	-	113,846	-
			1,699,015	-	1,699,015	90,150
Drug Abuse and Addiction Research Programs						
Pass Through – California Institute of Technology	93.279	R01DA040011	303,274	-	303,274	8,116
Pass Through – RAND Corporation	93.279	1R34DA047492-01	27,012	-	27,012	-
Pass Through – University of California San Diego	93.279	U24DA055325	72,212	-	72,212	-
Pass Through – University of North Carolina	93.279	1R01DA042988-01A1	18,367	-	18,367	-
Pass Through – University of North Carolina	93.279	1R01DA043678-01A1	196,901	-	196,901	-
COVID-19 – Drug Abuse and Addiction Research Programs	93.279		153,482	-	153,482	-
Total 93.279			12,107	-	12,107	-
			783,355	-	783,355	8,116
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283		567,068	-	567,068	515,996
Discovery and Applied Research for Technological Innovations to Improve Human Health						
Pass Through – Emory University	93.286	1U01EB028145-01	965,096	-	965,096	226,371
Pass Through – University of California Los Angeles	93.286	1U01EB026421-01A1	45,103	-	45,103	-
Pass Through – University of Pittsburgh	93.286	1R21EB023507-01A1	176,665	-	176,665	-
Pass Through – University of Southern California	93.286	7R01EB029088-02	(2,408)	-	(2,408)	-
Total 93.286			280,878	-	280,878	-
			1,465,334	-	1,465,334	226,371
Minority Health and Health Disparities Research						
Pass Through – University of Alabama at Birmingham	93.307	5U54MD000502-16	56,275	-	56,275	-

Cedars-Sinai Health System

Schedule of Expenditures of Federal Awards (continued)

Year Ended June 30, 2022

Federal Grantor/Program or Cluster Title/ Pass-Through Grantor	Assistance Listing Number	Pass-Through Grantor Identifying Number	Research and Development Cluster	Other Expenditures	Total Expenditures	Expenditures to Subrecipients
Trans-NIH Research Support	93.310		\$ 621,577	\$ -	\$ 621,577	\$ 80,338
Pass Through – Carnegie Mellon University	93.310	OT2OD026675	(103)	-	(103)	-
Pass Through – Harvard Medical School	93.310	5U24OD023176-04	95,258	-	95,258	-
Pass Through – University of California Davis	93.310	1UG1HD107711-01	96,953	-	96,953	-
Pass Through – University of California San Diego	93.310	1OT2OD026552-01	1,094,871	-	1,094,871	-
Total 93.310			1,908,556	-	1,908,556	80,338
National Center for Advancing Translational Sciences	93.350		1,765,755	-	1,765,755	673,560
Pass Through – Cincinnati Children’s Hospital Medical Center	93.350	UH3TR002612	2,162	-	2,162	-
Pass Through – University of California Los Angeles	93.350	UL1 TR001881	905,145	-	905,145	-
Pass Through – University of California Los Angeles	93.350	KL2 TR001882	119,042	-	119,042	-
Pass Through – University of California Los Angeles	93.350	1UG3TR003148-01	188,865	-	188,865	-
Pass Through – University of California Los Angeles	93.350	UL1TR001881	89,176	-	89,176	-
Total 93.350			3,070,145	-	3,070,145	673,560
Nursing Research	93.361		1,439,819	-	1,439,819	468,707
Cancer Cause and Prevention Research	93.393		3,066,690	-	3,066,690	998,508
Pass Through – Cleveland Clinic	93.393	R01CA238087	162,100	-	162,100	-
Pass Through – Cleveland Clinic	93.393	R01CA248931	29,636	-	29,636	-
Pass Through – Dana-Farber Cancer Institute	93.393	R01CA251555	157,985	-	157,985	-
Pass Through – Emory University	93.393	R01CA211574	335,892	-	335,892	-
Pass Through – Fred Hutchinson Cancer Research Center	93.393	R01CA244588	14,704	-	14,704	-
Pass Through – Fred Hutchinson Cancer Research Center	93.393	R01CA201407	6,537	-	6,537	-
Pass Through – Kaiser Permanente	93.393	R01CA258160	9,372	-	9,372	-
Pass Through – Moffitt Cancer & Research Institute	93.393	1R01CA207456	62,603	-	62,603	-
Pass Through – SUNY at Stony Brook University	93.393	R01CA235720	164,678	-	164,678	-
Pass Through – University of California Davis	93.393	R01CA204145	24,598	-	24,598	-
Pass Through – University of California Los Angeles	93.393	1P01CA236585	160,387	-	160,387	-
Pass Through – University of Melbourne	93.393	2U01CA167551-07	168,417	-	168,417	-
Pass Through – University of Utah	93.393	U01CA206110	146,047	-	146,047	-
Pass Through – University of Virginia	93.393	R01CA211574	(4,330)	-	(4,330)	-
Pass Through – University of Texas, MD Anderson Cancer Center	93.393	R01CA188943	151,401	-	151,401	-
Total 93.393			4,656,717	-	4,656,717	998,508
Cancer Detection and Diagnosis Research	93.394		4,421,383	-	4,421,383	580,699
Pass Through – Icahn School of Medicine at Mount Sinai	93.394	1R01CA244948-01A1	28,649	-	28,649	-
Pass Through – Kaiser Permanente	93.394	1R01CA230442-01A1	29,252	-	29,252	-
Pass Through – New York School of Medicine	93.394	U01CA214195	(2,086)	-	(2,086)	-
Pass Through – Tulane University	93.394	1R01CA222831-01A1	26,661	-	26,661	-
Pass Through – University of California Los Angeles	93.394	1R01CA255727-01	216,366	-	216,366	-
Pass Through – University of California Los Angeles	93.394	1R01CA246304-01	146,531	-	146,531	-
Pass Through – University of California Los Angeles	93.394	1R01CA253651-01	243,506	-	243,506	-
Pass Through – University of California Los Angeles	93.394	1R21CA240887-01A1	18,703	-	18,703	-
Pass Through – University of California Los Angeles	93.394	U01CA198900	241	-	241	-
COVID-19 – Cancer Detection and Diagnosis Research	93.394		2,072,404	-	2,072,404	222,362
Total 93.394			7,201,610	-	7,201,610	803,061

Cedars-Sinai Health System

Schedule of Expenditures of Federal Awards (continued)

Year Ended June 30, 2022

Federal Grantor/Program or Cluster Title/ Pass-Through Grantor	Assistance Listing Number	Pass-Through Grantor Identifying Number	Research and Development Cluster	Other Expenditures	Total Expenditures	Expenditures to Subrecipients
Cancer Treatment Research	93.395		\$ 2,835,761	\$ -	\$ 2,835,761	\$ 391,781
Pass Through – Brigham & Women’s Hospital	93.395	U10 CA076001	32,781	-	32,781	-
Pass Through – Children’s Hospital Philadelphia	93.395	2U10CA180886-06	13,733	-	13,733	-
Pass Through – Icahn School of Medicine at Mount Sinai	93.395	5P01CA108671-12	5,919	-	5,919	-
Pass Through – Icahn School of Medicine at Mount Sinai	93.395	7R01CA232574-02	11,619	-	11,619	-
Pass Through – La Jolla Institute for Immunology	93.395	1R01CA256133-01A1	103,790	-	103,790	-
Pass Through – Oregon Health Science University	93.395	2U01CA180888-06	27,807	-	27,807	-
Total 93.395			3,031,410	-	3,031,410	391,781
Cancer Biology Research	93.396		5,870,861	-	5,870,861	89,372
Pass Through – Medical College of Wisconsin	93.396	1R01CA258433-01A1	752	-	752	-
Pass Through – Roswell Park Cancer Institute	93.396	5R01CA207757-05	76,751	-	76,751	-
Total 93.396			5,948,364	-	5,948,364	89,372
Cancer Centers Support Grants						
Pass Through – Fred Hutchinson Cancer Research Center	93.397	1P20CA252733-01	39,516	-	39,516	-
Pass Through – University of Los Angeles	93.397	P50CA211015	77,107	-	77,107	-
Pass Through – University of Los Angeles	93.397	P50CA092131	97,633	-	97,633	-
Total 93.397			214,256	-	214,256	-
Cancer Research Manpower	93.398		1,335,819	-	1,335,819	-
Cancer Control						
Pass Through – Children’s Hospital Philadelphia	93.399	2UG1CA189955-06	1,011	-	1,011	-
Pass Through – Northwestern University	93.399	UG1CA242643	31,717	-	31,717	-
Pass Through – Oregon Health Sciences University	93.399	HHSN26120622012C	8,771	-	8,771	-
Pass Through – Oregon Health Sciences University	93.399	UG1CA189974	3,862	-	3,862	-
Total 93.399			45,361	-	45,361	-
COVID-19 – HRSA COVID-19 Claims Reimbursement for the Uninsured Program and the COVID-19 Coverage Assistance Fund	93.461		-	861,109	861,109	-
COVID-19 – Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	93.498		-	121,109,513	121,109,513	-
Medicaid Cluster: Medical Assistance Program						
Pass Through – California Department of Aging	93.778	2021/2022 MS 16	-	1,898,791	1,898,791	-
Total Medicaid Cluster			-	1,898,791	1,898,791	-
Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities						
Pass Through – California Department of Public Health	93.817	6U3REP160550-01-00	727,525	-	727,525	-
National Ebola Training and Education Center (NETEC) Pass Through – Emory University	93.825	6U3REP170552-04-03	33,534	-	33,534	-

Cedars-Sinai Health System

Schedule of Expenditures of Federal Awards (continued)

Year Ended June 30, 2022

Federal Grantor/Program or Cluster Title/ Pass-Through Grantor	Assistance Listing Number	Pass-Through Grantor Identifying Number	Research and Development Cluster	Other Expenditures	Total Expenditures	Expenditures to Subrecipients
Cardiovascular Diseases Research	93.837		\$ 19,259,554	\$ -	\$ 19,259,554	\$ 2,540,287
Pass Through – Boston University	93.837	5R01HL142983-03	227,338	-	227,338	-
Pass Through – Brigham & Women’s Hospital	93.837	5R01HL091069-08	30,195	-	30,195	-
Pass Through – Brigham & Women’s Hospital	93.837	5R01HL116690-06	18,242	-	18,242	-
Pass Through – Columbia University Medical Center	93.837	5R01HL130500-02	50,920	-	50,920	-
Pass Through – Duke University	93.837	U10HL084904	870	-	870	-
Pass Through – Icahn School of Medicine at Mount Sinai	93.837	1R01HL150345-01A1	13,623	-	13,623	-
Pass Through – Icahn School of Medicine at Mount Sinai	93.837	5U01HL088942-14	20,010	-	20,010	-
Pass Through – Massachusetts General Hospital	93.837	1R01HL151855-01	6,658	-	6,658	-
Pass Through – Massachusetts General Hospital	93.837	5R01HL140224-02	34,247	-	34,247	-
Pass Through – New England Research Institute	93.837	U24HL135691	6,398	-	6,398	-
Pass Through – Ohio State University	93.837	1R01HL148581-01A1	7,755	-	7,755	-
Pass Through – Ohio State University	93.837	5R01HL128857-03	22,915	-	22,915	-
Pass Through – Penn State University	93.837	2R01HL127316-04A1	61,908	-	61,908	-
Pass Through – Purdue University	93.837	5R01HL153114-02	19,806	-	19,806	-
Pass Through – RTI International	93.837	1U01HL145358-01A1	65,327	-	65,327	-
Pass Through – RTI International	93.837	U01 HL11991	(1,925)	-	(1,925)	-
Pass Through – Stanford University	93.837	5R01HL141371-02	15,047	-	15,047	-
Pass Through – University California San Francisco	93.837	R25HL126146	7,836	-	7,836	-
Pass Through – University of California Los Angeles	93.837	1R01HL162407-01	25,228	-	25,228	-
Pass Through – University of California Los Angeles	93.837	R01HL148182	28,728	-	28,728	-
Pass Through – University of Michigan	93.837	1UG3HL145269-01A1	56,365	-	56,365	-
Pass Through – University of North Carolina	93.837	R01HL147853	112,125	-	112,125	-
Pass Through – University of Pennsylvania	93.837	1R01HL151277-01A1	54,134	-	54,134	-
Pass Through – University of Southern California	93.837	1R01HL153286-01	138,104	-	138,104	-
Pass Through – University of Southern California	93.837	7R01HL147355-03	97,316	-	97,316	-
Pass Through – University of Utah	93.837	1R01HL159200-01	22,352	-	22,352	-
Pass Through – Vanderbilt University Medical Center	93.837	1P01HL129941	276,575	-	276,575	-
Pass Through – Wake Forest University	93.837	R01HL111362	957,833	-	957,833	-
COVID-19 – Cardiovascular Diseases Research	93.837		39,063	-	39,063	-
Pass Through – Oregon Health Sciences University	93.837	1OT2HL156812-01	2,914	-	2,914	-
Total 93.837			21,677,461	-	21,677,461	2,540,287
Lung Diseases Research	93.838		5,692,182	-	5,692,182	679,563
Pass Through – Cincinnati Children’s Hospital Medical Center	93.838	5U01HL148856-02	9,767	-	9,767	-
Pass Through – Oregon Health Science University	93.838	7U01HL123008-08	18,247	-	18,247	-
Pass Through – Oregon Health Science University	93.838	U01HL123009-07	2,763	-	2,763	-
Pass Through – Oregon Health Science University	93.838	1OT2HL156812-01	212,818	-	212,818	-
Pass Through – University of Arizona	93.838	5R25HL126140-07	22,364	-	22,364	-
Pass Through – University of Pittsburgh	93.838	2R01HL136143-05	2,179	-	2,179	-
Pass Through – University of Washington, Seattle	93.838	5U01HL123009-04	2	-	2	-
Pass Through – Yale University	93.838	1R01HL138540-01	(34,191)	-	(34,191)	-
COVID-19 – Lung Diseases Research						
Pass Through – Oregon Health Science University	93.838	1OT2HL156812-01	83,766	-	83,766	-
Pass Through – University of Michigan	93.838	OT2HL156812	1,390	-	1,390	-
Pass Through – Vanderbilt University Medical Center	93.838	1OT2HL156812-01	70,402	-	70,402	-
Total 93.838			6,081,689	-	6,081,689	679,563
Blood Diseases and Resources Research	93.839		768,671	-	768,671	-

Cedars-Sinai Health System

Schedule of Expenditures of Federal Awards (continued)

Year Ended June 30, 2022

Federal Grantor/Program or Cluster Title/ Pass-Through Grantor	Assistance Listing Number	Pass-Through Grantor Identifying Number	Research and Development Cluster	Other Expenditures	Total Expenditures	Expenditures to Subrecipients
COVID-19 – Translation and Implementation Science Research for Heart, Lung, Blood Diseases, and Sleep Disorders Pass Through – New York University Langone Health	93.840	0T2HL156812	\$ 7,156	\$ –	\$ 7,156	\$ –
Arthritis, Musculoskeletal and Skin Diseases Research	93.846		1,546,137	–	1,546,137	–
Pass Through – Columbia University Medical Center	93.846	R01AR050026	134,217	–	134,217	–
Pass Through – Penn State	93.846	1U01AR071077-01	40,267	–	40,267	–
Pass Through – SUNY Upstate Medical University	93.846	1U01AR07609201-A1	25,873	–	25,873	–
Pass Through – University of Colorado	93.846	UH2AR067681	31,226	–	31,226	–
Pass Through – University of Iowa	93.846	2R01AR059703	(13,974)	–	(13,974)	–
Total 93.846			1,763,746	–	1,763,746	–
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847		9,089,212	–	9,089,212	741,044
Pass Through – Brigham & Women’s Hospital	93.847	1R01DK112940-01	(2,959)	–	(2,959)	–
Pass Through – Columbia University Medical Center	93.847	2U54DK104309-08	57,494	–	57,494	–
Pass Through – Indiana University	93.847	1R01DK116963-01A1	(2,313)	–	(2,313)	–
Pass Through – Joslin Diabetes Center	93.847	01DK116102-100113	13,544	–	13,544	–
Pass Through – LA BioMed RI at Harbor-UCLA Medical Center	93.847	P30 DK063491	65,407	–	65,407	–
Pass Through – Massachusetts General Hospital	93.847	1R01DK124453-01	259,736	–	259,736	–
Pass Through – Massachusetts General Hospital	93.847	UM1DK078616	9,595	–	9,595	–
Pass Through – Medical University of South Carolina	93.847	5U01DK116743-03	1,663	–	1,663	–
Pass Through – Oklahoma Medical Research Foundation	93.847	5R01DK085691-08	5,734	–	5,734	–
Pass Through – Penn State University	93.847	U01DK127384	95,397	–	95,397	–
Pass Through – University of Alabama at Birmingham	93.847	R01DK125692	334	–	334	–
Pass Through – University of California Los Angeles	93.847	1U2CDK129496-01	24,773	–	24,773	–
Pass Through – University of California San Diego	93.847	2P30DK063491-16	43,659	–	43,659	–
Pass Through – University of Illinois at Chicago	93.847	1U01DK127378-01	14,595	–	14,595	–
Pass Through – University of Iowa	93.847	5U01DK108334-05	(60)	–	(60)	–
Pass Through – University of North Carolina	93.847	1R01DK126959-01	47,188	–	47,188	–
Pass Through – University Texas MD Anderson Cancer Center	93.847	3U01DK108328-02S1	90,028	–	90,028	73,152
Pass Through – Washington University in St. Louis	93.847	1R01DK124274-01A1	100,480	–	100,480	–
COVID-19 – Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847		112,111	–	112,111	60,425
Pass Through – University of Minnesota	93.847	R01DK130378	1,703	–	1,703	–
Total 93.847			10,027,321	–	10,027,321	874,621
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853		4,383,861	–	4,383,861	845,418
Pass Through – Allen Institute for Cell Science	93.853	R01NS120300	40,471	–	40,471	–
Pass Through – Cleveland Clinic	93.853	U01NS116776	225,404	–	225,404	–
Pass Through – Massachusetts General Hospital	93.853	1U19NS115388-01	1,559	–	1,559	–
Pass Through – Mayo Clinic Rochester	93.853	5U01NS080168-02	2,269	–	2,269	–
Pass Through – University of California Irvine	93.853	U54NS091046	105,493	–	105,493	–
Pass Through – University of California Los Angeles	93.853	1R01NS121617-01A1	2,145	–	2,145	–
Pass Through – University of Cincinnati	93.853	1U01NS099043-01A1	10,460	–	10,460	–
Pass Through – University of Cincinnati	93.853	1U01NS100699-01A1	1,602	–	1,602	–
Pass Through – University of Cincinnati	93.853	1U01NS102289-01A1	3,175	–	3,175	–
Pass Through – University of Cincinnati	93.853	1U01NS106513-01A1	1,840	–	1,840	–
Pass Through – University of Michigan	93.853	1U01NS099046-01A1	12,078	–	12,078	–
Pass Through – University of Southern California	93.853	7U24NS113452-03	98,273	–	98,273	–
Pass Through – University of Texas San Antonio	93.853	5R01NS113516-03	324,797	–	324,797	–

Cedars-Sinai Health System

Schedule of Expenditures of Federal Awards (continued)

Year Ended June 30, 2022

Federal Grantor/Program or Cluster Title/ Pass-Through Grantor	Assistance Listing Number	Pass-Through Grantor Identifying Number	Research and Development Cluster	Other Expenditures	Total Expenditures	Expenditures to Subrecipients
COVID-19 – Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853		\$ 861,174	\$ –	\$ 861,174	\$ 312,000
Total 93.853			6,074,601	–	6,074,601	1,157,418
Allergy and Infectious Diseases Research	93.855		11,152,072	–	11,152,072	577,281
Pass Through – Columbia University Medical Center	93.855	1R34AI152962-01	(1,466)	–	(1,466)	–
Pass Through – Columbia University Medical Center	93.855	1R56AI154845-01A1	13,614	–	13,614	–
Pass Through – Duke University	93.855	1R01AI153274-01	11,440	–	11,440	–
Pass Through – Emory University	93.855	2U19 110483-06	3,053	–	3,053	–
Pass Through – Massachusetts General Hospital	93.855	1U01AI136816-01	119,864	–	119,864	–
Pass Through – Mayo Clinic Jacksonville	93.855	1R21AI145356-01	(630)	–	(630)	–
Pass Through – Mayo Clinic Jacksonville	93.855	1R21AI154927-01	(2,633)	–	(2,633)	–
Pass Through – National Jewish Health	93.855	1R01AI152504-01A1	47,492	–	47,492	–
Pass Through – Partners Healthcare	93.855	1U01AI136816-01	58,359	–	58,359	–
Pass Through – Stanford University	93.855	3U01AI135950-03S1	27,024	–	27,024	–
Pass Through – University of Arizona	93.855	2U19AI125357-06	12,075	–	12,075	–
Pass Through – University of California Los Angeles	93.855	5U01AI035040-26	166	–	166	–
Pass Through – University of California San Diego	93.855	1R01AI144694-01A1	21,702	–	21,702	–
Pass Through – Washington University in St. Louis	93.855	2R56AI104732-06A1	(1,134)	–	(1,134)	–
COVID-19 – Allergy and Infectious Diseases Research	93.855		109,734	–	109,734	–
Total 93.855			11,570,732	–	11,570,732	577,281
Biomedical Research and Research Training	93.859		90,800	–	90,800	–
Child Health and Human Development Extramural Research	93.865		457,231	–	457,231	83,422
Pass Through – Arkansas Children’s Research Institute	93.865	1R01HD099099-01	123,065	–	123,065	–
Pass Through – Harvard Pilgrim Health Care	93.865	1R01HD094150-01	218,182	–	218,182	–
Pass Through – University of Southern California	93.865	5R01HD092483-02	155,837	–	155,837	–
Total 93.865			954,315	–	954,315	83,422
Aging Research	93.866		4,520,437	–	4,520,437	886,351
Pass Through – Brigham & Women’s Hospital	93.866	R01AG062713	10,813	–	10,813	–
Pass Through – Northwestern University	93.866	5R01AG049924-04	21,958	–	21,958	–
Pass Through – RAND Corporation	93.866	R21AG059214	12,672	–	12,672	–
Pass Through – University California San Francisco	93.866	5R01AG053332-02	19,016	–	19,016	–
Pass Through – University of California Los Angeles	93.866	5P30AG021684-19	5,550	–	5,550	–
Pass Through – University of Pennsylvania	93.866	1P30AG073105-01	65,451	–	65,451	–
Total 93.866			4,655,897	–	4,655,897	886,351
Vision Research	93.867		2,830,940	–	2,830,940	–
Pass Through – University of California Los Angeles	93.867	R01EY032561	27,086	–	27,086	–
Total 93.867			2,858,026	–	2,858,026	–

Cedars-Sinai Health System

Schedule of Expenditures of Federal Awards (continued)

Year Ended June 30, 2022

Federal Grantor/Program or Cluster Title/ Pass-Through Grantor	Assistance Listing Number	Pass-Through Grantor Identifying Number	Research and Development Cluster	Other Expenditures	Total Expenditures	Expenditures to Subrecipients
National Bioterrorism Hospital Preparedness Program						
Pass Through – County of Los Angeles, Department of Health Services	93.889	H-707432	\$ –	\$ 25,493	\$ 25,493	\$ –
Pass Through – County of Los Angeles, Department of Health Services	93.889	H-708597	–	36,700	36,700	–
Pass Through – County of Los Angeles, Department of Health Services	93.889	H-708214	–	36,700	36,700	–
Pass Through – County of Los Angeles, Emergency Medical Services Agency	93.889	H-708207	–	126,939	126,939	–
Total 93.889			–	225,832	225,832	–
Total U.S. Department of Health and Human Services			102,388,035	124,095,245	226,483,280	11,149,949
Total Expenditures of Federal Awards			\$ 115,103,682	\$ 124,196,727	\$ 239,300,409	\$ 12,918,370

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, 2022

1. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of Cedars-Sinai Health System and is presented on the accrual basis of accounting. The information in the SEFA 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* (Uniform Guidance). Therefore, some amounts presented in the SEFA 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 SEFA, 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. Negative amounts shown in the SEFA represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The SEFA does not include payments received under the traditional Medicare and Medicaid reimbursement programs, as these programs are outside the scope of the Uniform Guidance. There were no donated goods and personal protective equipment received from federal sources that required recognition or disclosure in the notes to the SEFA.

2. Indirect Costs

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.

Cedars-Sinai Health System

Notes to Schedule of Expenditures of Federal Awards (continued)

3. Provider Relief Fund

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, 2022. The amount presented reconciles to the Provider Relief Fund (PRF) information reported to the Health Resources and Services Administration (HRSA) as follows:

Name of Reporting Entity for HRSA Reporting Period 2 and 3 (Funding Received between July 1, 2020 and June 30, 2021; Expenditures and Lost Revenue through June 30, 2022)	Reporting Entity Tax Identification Number (TIN)	Type of Distribution	Total Nursing Home Infection Control and Other Provider Relief Fund Expenses Reported	Total Lost Revenues Reported	Total
Cedars-Sinai Medical Center	95-1644600	General	\$ 39,587,362	\$ 47,862,293	\$ 87,449,655
		Targeted	3,223,667	3,897,510	7,121,177
Total Cedars-Sinai Medical Center			42,811,029	51,759,803	94,570,832
Cedars-Sinai Medical Care Foundation	95-4457756	General	–	6,955,069	6,955,069
Total Cedars-Sinai Medical Care Foundation			–	6,955,069	6,955,069
CFHS Holdings, Inc. dba Cedars-Sinai Marina Del Rey Hospital	20-1645949	Targeted	10,950,000	–	10,950,000
Total CFHS Holding, Inc.			10,950,000	–	10,950,000
Cedars-Sinai Affiliated Joint Ventures (Controlling Interest)					
90210 Surgery Medical Center	13-4341801	General	434,174	–	434,174
Endoscopy Center of Santa Monica LLC	11-3652210	General	–	573,202	573,202
Mink Radiologic Imaging Medical Associates, Inc.	54-2075700	General	–	190,602	190,602
Santa Monica Surgical Partners, LLC	87-0760381	General	–	31,088	31,088
Total Cedars-Sinai Affiliated Joint Ventures			434,174	794,892	1,229,066
Torrance Memorial Medical Center	95-1644042	Infection Control	104,595	–	104,595
		General	1,917,806	734,174	2,651,980
		Targeted	2,524,762	–	2,524,762
Total Torrance Memorial Medical Center			4,547,163	734,174	5,281,337
Torrance Health Association, Inc. dba Torrance Memorial Physician Network	33-0073515	General	274,948	1,848,261	2,123,209
Total Torrance Health Association, Inc.			274,948	1,848,261	2,123,209
Total Cedars-Sinai Health System			\$ 59,017,314	\$ 62,092,199	\$ 121,109,513

Cedars-Sinai Health System

Notes to Schedule of Expenditures of Federal Awards (continued)

3. Provider Relief Fund (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 \$121,109,513 of PRF Funds received from HHS between July 1, 2020 through June 30, 2021. In accordance with guidance from HHS, these amounts are presented as Period 2 and Period 3. Such amounts were recognized as other operating revenues in Cedars-Sinai Health System's consolidated financial statements 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, 2022

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 the 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, 2022

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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