



Consolidated Financial Statements as of and for the  
Years Ended December 31, 2021 and 2020, Schedule of  
Expenditures of Federal Awards for the Year Ended  
December 31, 2021, and Independent Auditor's Reports

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## **INDEPENDENT AUDITOR'S REPORT**

To the Audit and Compliance Committee of the Board of Trustees  
Henry Ford Health System  
Detroit, Michigan

### **Opinion**

We have audited the consolidated financial statements of Henry Ford Health System and affiliates (the "System"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of operations and changes in net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively referred to as the "financial statements").

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

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. The financial statements of Health Alliance Plan of Michigan and Subsidiaries were not audited in accordance with *Government Auditing Standards*.

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

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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 consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's

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

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

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

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

### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2022 on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 System's internal control over financial reporting and compliance.

*Deloitte + Touche LLP*

March 14, 2022, except for the Schedule of Expenditures of Federal Awards and related notes, as to which the date is September 29, 2022.

**CONSOLIDATED BALANCE SHEETS**  
**AS OF DECEMBER 31, 2021 AND 2020**  
(In thousands)

	<u>2021</u>	<u>2020</u>
<b>ASSETS:</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 836,940	\$ 1,237,306
Short-term investments	46,273	30,502
Patient care receivables	451,416	417,762
Health care premium receivables	20,989	14,230
Due from third-party payors	74,644	39,797
Other current assets	369,891	325,566
Current portion of assets limited as to use	<u>53,005</u>	<u>47,854</u>
Total current assets	1,853,158	2,113,017
LONG-TERM INVESTMENTS	1,802,668	1,538,379
ASSETS LIMITED AS TO USE	1,070,078	960,363
INVESTMENTS IN UNCONSOLIDATED ENTITIES	33,596	30,330
INTANGIBLE AND OTHER ASSETS—Net	45,521	49,158
GOODWILL—Net of accumulated amortization of \$28,577 in 2021 and 2020	22,562	22,562
RIGHT OF USE—OPERATING LEASE ASSETS	179,019	183,425
RIGHT OF USE—FINANCING LEASE ASSETS	140,000	42,619
PROPERTY, PLANT, AND EQUIPMENT—Net	<u>1,639,999</u>	<u>1,616,271</u>
<b>TOTAL ASSETS</b>	<u>\$ 6,786,601</u>	<u>\$ 6,556,124</u>

(Continued)

**CONSOLIDATED BALANCE SHEETS  
AS OF DECEMBER 31, 2021 AND 2020  
(In thousands)**

	<u>2021</u>	<u>2020</u>
<b>LIABILITIES AND NET ASSETS:</b>		
<b>CURRENT LIABILITIES:</b>		
Short term borrowings	\$ 34,685	\$ -
Accounts payable	398,906	328,057
Due to third-party payors	105,279	96,001
Medical claims liability	230,021	191,576
Other liabilities and accrued expenses	783,572	552,378
Current portion of long-term obligations	17,952	51,751
Current portion of malpractice and general liability	33,320	29,968
Current portion of operating lease liabilities	26,055	26,639
Current portion of financing lease liabilities	2,720	3,837
Total current liabilities	<u>1,632,510</u>	<u>1,280,207</u>
DEFERRED COMPENSATION, POSTRETIREMENT, AND OTHER LIABILITIES	413,209	784,917
LONG-TERM OBLIGATIONS	1,130,722	1,154,192
MALPRACTICE AND GENERAL LIABILITY	148,028	147,869
LONG-TERM OPERATING LEASE LIABILITIES	165,782	169,542
LONG-TERM FINANCING LEASE LIABILITIES	149,113	39,722
Total liabilities	<u>3,639,364</u>	<u>3,576,449</u>
<b>NET ASSETS:</b>		
Without donor restrictions:		
Henry Ford Health System	2,768,864	2,642,574
Noncontrolling interests	3,341	3,653
Total net assets without donor restrictions	<u>2,772,205</u>	<u>2,646,227</u>
With donor restrictions	<u>375,032</u>	<u>333,448</u>
Total net assets	<u>3,147,237</u>	<u>2,979,675</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 6,786,601</u>	<u>\$ 6,556,124</u>

See notes to consolidated financial statements.

(Concluded)

**CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(In thousands)**

	<u>2021</u>	<u>2020</u>
<b>REVENUE WITHOUT DONOR RESTRICTIONS:</b>		
Net patient service revenue	\$ 4,241,660	\$ 3,665,855
Health care premiums	2,061,291	1,990,065
Other revenue	<u>503,046</u>	<u>846,228</u>
Total revenue without donor restrictions	<u>6,805,997</u>	<u>6,502,148</u>
<b>EXPENSES:</b>		
Salaries, wages, and employee benefits	3,000,790	2,777,562
Health care provider expense	1,406,752	1,162,794
Supplies	1,327,285	1,147,508
General and other administrative	406,423	389,148
Other contracted services	333,017	306,221
Depreciation and amortization	214,308	206,360
Repairs and maintenance	67,981	66,239
Rent and lease	60,301	61,008
Plant operations	59,166	56,878
Malpractice	55,139	65,569
Interest expense	<u>43,055</u>	<u>37,227</u>
Total expenses	<u>6,974,217</u>	<u>6,276,514</u>
<b>OPERATING (LOSS) INCOME</b>	<u>(168,220)</u>	<u>225,634</u>
<b>NONOPERATING ITEMS:</b>		
Investment return, net	232,649	195,852
Other components of net periodic pension (cost) benefit	<u>(23,627)</u>	<u>813</u>
Total nonoperating items	<u>209,022</u>	<u>196,665</u>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	40,802	422,299
<b>LESS EXCESS OF REVENUE OVER EXPENSES ATTRIBUTABLE TO NONCONTROLLING INTERESTS</b>	<u>1,367</u>	<u>2,052</u>
<b>EXCESS OF REVENUE OVER EXPENSES ATTRIBUTABLE TO HENRY FORD HEALTH SYSTEM</b>	<u>\$ 39,435</u>	<u>\$ 420,247</u>

(Continued)

**CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(In thousands)**

	<u>2021</u>	<u>2020</u>
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS:</b>		
Excess of revenue over expenses from consolidated operations	\$ 40,802	\$ 422,299
Net assets released from restrictions for capital	7,182	7,395
Distributions to noncontrolling interests	(1,679)	(1,716)
Pension and other postretirement net adjustments	<u>79,673</u>	<u>(14,490)</u>
Increase in net assets without donor restrictions	<u>125,978</u>	<u>413,488</u>
<b>NET ASSETS WITH DONOR RESTRICTIONS:</b>		
Return on restricted investments, net	37,133	28,219
Contributions and other	88,727	106,248
Net assets released from restrictions for operations	(77,094)	(70,211)
Net assets released from restrictions for capital	<u>(7,182)</u>	<u>(7,395)</u>
Increase in net assets with donor restrictions	<u>41,584</u>	<u>56,861</u>
<b>TOTAL INCREASE IN NET ASSETS</b>	167,562	470,349
<b>TOTAL NET ASSETS— Beginning of year</b>	<u>2,979,675</u>	<u>2,509,326</u>
<b>TOTAL NET ASSETS— End of year</b>	<u>\$ 3,147,237</u>	<u>\$ 2,979,675</u>

See notes to consolidated financial statements.

(Concluded)

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**  
(In thousands)

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase in net assets	\$ 167,562	\$ 470,349
Adjustments to reconcile increase in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	214,308	206,360
Pension and other postretirement net adjustments	(79,673)	14,490
Amortization of bond premium and deferred debt issue costs	(5,678)	(5,567)
Loss (gain) on sale or disposal of assets	2,605	(237)
Return on restricted investments	(37,133)	(28,219)
Restricted contributions and grants	(88,727)	(106,248)
Net realized and unrealized gains on investments	(262,041)	(228,476)
Distributions to noncontrolling interests	1,679	1,716
Change in assets and liabilities:		
Patient and health care premium receivables	(40,413)	19,372
Other current assets	(44,325)	(67,479)
Assets limited as to use	(77,824)	(7,273)
Investments in unconsolidated entities	978	(3,548)
Other assets	365	(235)
Accounts payable	70,219	(6,994)
Other liabilities	(77,382)	527,306
Due to/from third-party payors	(25,569)	21,079
Medical claims liability	38,445	32,985
Malpractice and general liability	3,511	37,667
Net cash (used in) provided by operating activities	<u>(239,093)</u>	<u>877,048</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Additions to property	(230,159)	(221,328)
Proceeds from the sale or maturity of securities	1,288,162	468,264
Purchases of securities	(1,319,814)	(661,538)
Investments in unconsolidated entities	<u>(4,244)</u>	<u>(3,119)</u>
Net cash used in investing activities	<u>(266,055)</u>	<u>(417,721)</u>

(Continued)

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**  
(In thousands)

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from short-term borrowings	\$ 34,685	\$ -
Proceeds from long-term obligations	1,932	55,216
Payments of long-term obligations	(51,768)	(17,725)
Payments of finance lease liabilities	(4,248)	(4,126)
Distributions to noncontrolling interests	(1,679)	(1,716)
Return on restricted investments	37,133	28,219
Restricted contributions and grants	<u>88,727</u>	<u>106,248</u>
Net cash provided by financing activities	<u>104,782</u>	<u>166,116</u>
<b>(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(400,366)	625,443
<b>CASH AND CASH EQUIVALENTS— Beginning of year</b>	<u>1,237,306</u>	<u>611,863</u>
<b>CASH AND CASH EQUIVALENTS— End of year</b>	<u>\$ 836,940</u>	<u>\$ 1,237,306</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
Cash paid during the year for interest, including amounts capitalized of \$3,246 and \$7,760 in 2021 and 2020, respectively	<u>\$ 48,252</u>	<u>\$ 49,010</u>
Amounts accrued in property, plant, and equipment—net	<u>\$ 5,413</u>	<u>\$ 4,783</u>
Unsettled investment trades	<u>\$ -</u>	<u>\$ 67</u>
Unsettled investment purchases	<u>\$ 854</u>	<u>\$ 223</u>
Cash paid for taxes	<u>\$ 2,718</u>	<u>\$ 5,947</u>
See notes to consolidated financial statements.		(Concluded)

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(Dollars in thousands)**

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***The Organization***

Henry Ford Health System (the “Corporation”) and its affiliates (collectively, the “System”) constitute a comprehensive health care system offering health care to the people of southeastern and south-central Michigan. The System provides medical, surgical, psychiatric, and rehabilitative services in inpatient and outpatient settings; conducts research activities; and engages in the education and training of residents, nurses, and allied health professionals. The System includes one of the nation’s largest employed physician group practices. A significant portion of the System’s revenues are derived through its health maintenance organization (HMO) and its subsidiaries.

The Corporation is a Michigan not-for-profit corporation with several subsidiary corporations, the most significant of which are Henry Ford Wyandotte Hospital (Wyandotte), Henry Ford Macomb Hospital Corporation (Macomb), Henry Ford Allegiance Health Group (AHG), Health Alliance Plan of Michigan (HAP), Henry Ford Health System Foundation (Foundation), and Onika Insurance Company, Ltd. (Onika).

Several subsidiaries also hold interests in other corporations. Amongst these are AHG’s sole membership interest in W. A. Foote Memorial Hospital d.b.a. Henry Ford Allegiance Health (Allegiance Health), and HAP’s holding in Administration Systems Research Corporation (ASR).

Joint venture interests include Foote Health Center Associates (86.37% ownership), Northwest Detroit Dialysis Centers (56.25% ownership), and Macomb Regional Dialysis Centers, L.L.C. (60% ownership), which are consolidated.

***Basis of Presentation***

The consolidated financial statements include the accounts of the System members as described above. The accounting and reporting policies of the System conform to accounting principles generally accepted in the United States of America (GAAP). All intercompany transactions have been eliminated. The preparation of the consolidated financial statements in conformity with GAAP requires that management make estimates and assumptions that affect the reported amounts. Actual results could differ from those estimates.

***Operating and Nonoperating Activities***

The System’s mission is to improve people’s lives through excellence in the science and art of health care and healing. The System provides a broad range of general and specialized health care services, including inpatient acute care, outpatient services, long-term care, and other health care services, in pursuit of this mission. Activities directly associated with the furtherance of this purpose are considered to be operating activities. Other activities that are not central to the System’s primary mission, including investment return, net are considered to be nonoperating.

### **COVID-19 Pandemic**

As a result of the COVID-19 pandemic, federal and state governments have passed legislation intended to assist health care providers in providing care to COVID-19 and other patients during the public health emergency. Sources of relief include the Coronavirus Aid, Relief, and Economic Security Act, which was enacted on March 27, 2020; the Paycheck Protection Program and Health Care Enhancement Act, which was enacted on April 24, 2020; and the Consolidated Appropriations Act, 2021, which was enacted on December 27, 2020. Together, these acts (COVID Acts) include \$178.0 billion in funding to be distributed through the Public Health and Social Services Emergency Fund (“Provider Relief Fund” or PRF). The American Rescue Plan Act of 2021 (ARPA), a \$1.9 trillion COVID-19 relief package, which includes a number of provisions that affect hospitals and health systems, was enacted March 11, 2021. Additionally, the Federal Emergency Management Agency (FEMA) provided reimbursement for COVID-19 related expenses.

### **Net Patient Service Revenue and Patient Care Receivables**

Net patient service revenue is reported at the amount that reflects the consideration to which the System expects to be entitled in exchange for providing patient care. These amounts are primarily due from patients and third-party payors and include variable consideration for retroactive revenue adjustments due to a subsequent audit or review process. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the System. Generally, performance obligations satisfied over time relate to patients receiving inpatient services. The System measures the performance obligation from the point of hospital admission through discharge. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided, and the System does not believe it is required to provide additional goods or services to the patient. Generally, performance obligations satisfied at a point in time relate to outpatient services and pharmacy revenue.

Because the System’s performance obligations relate to contracts with a duration of less than one year, it has elected to apply the optional exemption provided in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 606-10-50-14(a), *Revenue from Contracts with Customers*, 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. These unsatisfied or partially unsatisfied performance obligations are primarily related to inpatient services and the related contracts are generally completed upon discharge, which generally occurs shortly after the end of the reporting period.

The System determines the transaction price based on contractual terms for all services covered by insurance or in accordance with the System’s policies with regard to uninsured patients. The System determines its estimate of implicit price concessions based on its historical collection experience with each class of patients using a portfolio approach as a practical expedient to account for patient contracts as a collective group rather than individually. The effects on the consolidated financial statements of using this practical expedient are not materially different from an individual contract approach.

### ***Reimbursement from Third-Party Payors***

Reimbursement from most payors for inpatient and outpatient services vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Revenues under traditional Medicare and Medicaid programs, as well as Blue Cross, are based primarily on prospective payment systems. For Medicare, retrospectively determined non-claims-based revenues, such as indirect medical education, direct graduate medical education, disproportionate share hospital payments, allied health education payments, organ acquisition, and bad debt expense reimbursement, are estimated using historical trends and current factors. These revenues are reported on Medicare cost reports, which are subject to audit by Medicare auditors and administrative and judicial review, prior to final settlement.

These settlements can take several years to resolve. Because the laws, regulations, instructions, and rule interpretations governing Medicare reimbursement are complex and change frequently, the estimates recorded could change in subsequent periods. Medicaid revenues have the potential to be reduced based on an upper payment limit calculated through the Medicaid cost report, which is subject to review and adjustment by Medicaid auditors. Blue Cross revenues are also subject to a final settlement, where auditors reprice claims based on settlement rates. These represent the major payors included in patient care receivables at December 31, 2021 and 2020. Revenues associated with health care services provided by the System to members of its HMO are included in health care premiums in the consolidated statements of operations and changes in net assets.

Settlements with third-party payors for retroactive adjustments are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and the System's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as new information becomes available or as years are settled.

Generally, patients covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The System estimates the transaction price for these patients and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense. Bad debt expense for the years ended December 31, 2021 and 2020, was not material to the consolidated financial statements.

### ***Medicare advanced payments***

The COVID Acts revised the Medicare accelerated payment program in an attempt to disburse payments to health care providers more quickly to mitigate the shortfalls due to delays in nonessential procedures. Recipients may retain the accelerated payments for one year from the date of receipt before recoupment commences, which will be effectuated by a 25% offset of claim payments for 11 months, followed by a 50% offset for the succeeding six months. At the end of the 29-month period, interest on the unpaid balance will be assessed at 4% per annum.

During the year ended December 31, 2020, the System received advances totaling \$408,754. These advances are considered contract liabilities. Of the advances, \$130,217 was included in other liabilities and accrued expenses, and the remaining \$278,537 was included in deferred compensation, postretirement, and other liabilities at December 31, 2020. During 2021, the System repaid \$123,666 of the advances and the remaining balance of \$285,088 was included in other liabilities and accrued expenses at December 31, 2021.

### ***Patient Financial Assistance***

The System administers a patient financial assistance policy designed to provide financial assistance for uninsured patients as well as for insured patients with limited resources. For uninsured patients who meet the qualifications stipulated in the System's patient financial assistance policy, emergency and other medically necessary inpatient and outpatient services are provided at no cost. For uninsured patients who do not qualify for financial assistance, the System offers a discounted rate that does not exceed 115% of Medicare payment rates. Insured patients with limited financial resources may qualify for a discount on self-pay balances.

### ***Health Care Premiums***

Premiums received in advance of the respective period of coverage are recognized as revenue ratably over the period of coverage. HAP has significant customer base concentrations in companies that are part of the automotive manufacturing industry and with Medicare beneficiaries.

### ***Contributions***

Contributions without donor restrictions are included in the consolidated statements of operations and changes in net assets as other revenue when received. Gifts of cash and other assets that are received with donor stipulations are included in the consolidated statements of operations and changes in net assets as contributions and other. Once the restrictions are satisfied, they are included in the consolidated statements of operations and changes in net assets as other revenue or net assets released from restrictions for capital. The System recognizes grant payments as income when the conditions associated with the grants have been substantially met.

### ***COVID-19 Relief Grants***

The System recorded \$37,148 and \$397,498 of other revenue from the PRF, ARPA, state and local grant programs, and FEMA during the years ended December 31, 2021 and 2020, respectively. Payments from the PRF are not loans and, therefore, they are not subject to repayment. However, as a condition to receiving distributions, providers must agree to certain terms and conditions, including, among other things, that the funds are being used for lost revenues and unreimbursed COVID-19 related costs as defined by the U.S. Department of Health and Human Services. As stated above, the System recognizes grant payments as income when the conditions associated with the grants have been substantially met.

### ***Other Revenue***

Other revenue includes assets released from restrictions; income from grants; provider relief funds; contract pharmacy revenue; administrative fees earned from HAP self-insured products; net returns on malpractice and deferred compensation investments; income on investments in unconsolidated entities, gains and losses on sales of assets; gift shop; cafeteria sales; parking garage fees; and other miscellaneous sources.

### ***Premium Deficiency Reserves***

A reserve for premium deficiency and related expenses is recognized when it is probable that expected future health care costs, under a group of existing contracts, will exceed future premiums and stop-loss coverage recoveries anticipated over the remaining term of the contracts. The methods of making such estimates and for establishing the resulting reserves are periodically reviewed and updated. Any adjustments resulting therefrom are reflected in current-period operations. Estimates in reserves are subject to the impact of changes in the regulatory environment and economic conditions. Given the inherent variability of such estimates, the actual liability could differ significantly from the amounts provided. As of December 31, 2021 and 2020, the System recorded a premium deficiency reserve in the amount of \$75,550 and \$6,000, respectively. This was recorded in health care provider expense in the consolidated statements of operations and changes in net assets and other liabilities and accrued expenses in the consolidated balance sheets.

### ***Performance Indicator***

The consolidated statements of operations and changes in net assets include the excess of revenue over expenses from consolidated operations. Changes in net assets without donor restrictions, which are excluded from the excess of revenue over expenses from consolidated operations, consistent with industry practice, include net assets released from restrictions for capital, distributions to noncontrolling interests (NCI), and pension and other postretirement net adjustments.

### ***Net Asset Classifications***

*Net assets without donor restrictions*—Net assets that are not subject to donor-imposed restrictions. These net assets may be used at the discretion of the System’s management and the board of directors. See Note 5 for information about the amounts and purposes of board designations of net assets without donor restrictions.

*Net assets with donor restrictions*—Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature with restrictions, which will be met by the actions of the System or by the passage of time. Other donor restrictions are perpetual in nature and the donor has stipulated the funds be maintained by the System in perpetuity.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statements of operations and changes in net assets as other revenue or net assets released from restrictions for capital.

### ***Cash and Cash Equivalents***

Cash and cash equivalents consist of cash and liquid short-term investments (e.g., money market funds) with an original maturity of 90 days or less. Cash equivalents are stated at fair value, which approximates cost.

### ***Short-Term Investments***

Short-term investments consist primarily of fixed-income instruments with original maturities greater than 90 days and less than one year. Short-term investments are stated at fair value, which approximates cost.

### ***Other Current Assets***

Other current assets consist primarily of inventories, which are stated at the lower of cost (first-in, first-out) or market; prepaid expenses; and miscellaneous receivables.

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

Assets limited as to use are reported at their estimated fair value and include:

- Resources for which the board of directors of the System has designated specific future uses.
- Funds with donor restrictions that arise through specific contributions to the System.
- Funds held by trustee.
- Funds held to satisfy statutory reserve requirements.

The dollar amount of these assets to be used to satisfy current liabilities has been classified as a current asset.

### ***Investments and Investment Return, net***

Investments, inclusive of invested assets limited as to use, include marketable debt and equity securities. Investments in debt and equity securities with readily determinable fair values are measured at fair value in the consolidated balance sheets. Hedge funds, commingled funds, private markets, and other investments structured as limited liability corporations and partnerships are valued at net asset value (NAV), as a practical expedient, which is calculated using the most recent consolidated financial statements. The System has classified all debt securities as trading.

Investment return, net includes interest, dividends, realized gains and losses, unrealized gains and losses, and expenses related to the management of the investments. Realized gains and losses on sales of investments as well as unrealized gains and losses are calculated using the specific-identification method and are included in investment return, net or return on restricted investments, net.

### ***Investment Risks***

Investment securities are subject to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in values in the near term could materially affect the amounts reported in the accompanying consolidated financial statements.

### ***Fair Value of Financial Instruments***

Fair value of financial instruments has been determined using available information and appropriate valuation methodologies. The fair value of assets is based on quoted market prices, dealer quotes, and prices obtained from independent sources. The fair value of liabilities is based on a discounted cash flows analysis, using interest rates currently available for the issuance of debt with similar terms and remaining maturities. Considerable judgment is required in certain circumstances to develop the estimates of fair value, and they may not be indicative of the amounts, which could be realized in a current market exchange.

### ***Intangible and Other Assets***

Intangible and other assets as of December 31, 2021 and 2020, consisted of the following:

	<u>Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Useful Life (Years)</u>
<b>December 31, 2021</b>				
Definite-lived intangible assets:				
Customer relationships	\$ 15,660	\$ 11,497	\$ 4,163	8–22
Provider relations	22,164	8,462	13,702	10–25
Medicaid contract	9,120	1,611	7,509	13
Reinsurance escrow	8,111	-	8,111	
Other	<u>14,712</u>	<u>2,676</u>	<u>12,036</u>	
Total	<u>\$ 69,767</u>	<u>\$ 24,246</u>	<u>\$ 45,521</u>	
<b>December 31, 2020</b>				
Definite-lived intangible assets:				
Customer relationships	\$ 15,660	\$ 9,891	\$ 5,769	8–22
Provider relations	22,164	7,533	14,631	10–25
Medicaid contract	9,120	910	8,210	13
Reinsurance escrow	10,131	-	10,131	
Other	<u>13,057</u>	<u>2,640</u>	<u>10,417</u>	
Total	<u>\$ 70,132</u>	<u>\$ 20,974</u>	<u>\$ 49,158</u>	

Amortization expense on intangible assets was \$3,272 and \$3,691 for the years ended December 31, 2021 and 2020, respectively.

Estimated amortization expense on intangible assets for the next five years is as follows:

#### **Years Ending December 31:**

2022	\$ 3,061
2023	3,061
2024	1,813
2025	1,501
2026	1,501

### **Goodwill**

The System evaluates goodwill for impairment as of September 30 of each year, unless conditions arise that would require a more frequent evaluation. In assessing the recoverability of goodwill, management performs a qualitative or quantitative assessment to test for impairment annually. If it is determined, based on qualitative factors, that a quantitative impairment test is required, estimated future cash flows and other factors are evaluated to determine the fair value of the respective reporting unit. If these estimates or related projections change in the future, the System may be required to record impairment charges for goodwill at that time. Impairments, if any, are charged to earnings.

Information on changes in the carrying amounts of goodwill as of December 31, 2021 and 2020, is as follows:

	<u>2021</u>	<u>2020</u>
As of January 1:		
Goodwill	\$ 53,984	\$ 53,581
Accumulated impairment loss	<u>(31,422)</u>	<u>(31,422)</u>
Total	22,562	22,159
Goodwill acquired	<u>-</u>	<u>403</u>
Total	<u>\$ 22,562</u>	<u>\$ 22,562</u>

### **Impairment**

The System periodically, or when a triggering event occurs, evaluates the carrying value of its long-lived assets for impairment. This evaluation is based principally on the projected, undiscounted cash flows generated by the related assets.

### **Property, Plant, and Equipment**

Property, plant, and equipment, which includes capitalized internal use software, is recorded at cost or fair value at the date of acquisition. Depreciation is recorded on the straight-line method over the estimated useful lives of the assets. Estimated useful lives used in computing depreciation are generally 10 years for land improvements, 15 to 40 years for buildings and building improvements, and 3 to 15 years for equipment.

Expenditures for maintenance and repairs are recognized in operating results, unless they extend the useful life of the related asset. Costs incurred that extend the useful lives are capitalized and depreciated.

### ***Medical Claims Liability***

Medical claims liability consists of unpaid medical claims and other obligations resulting from the provision of health care services. It includes claims reported as of the consolidated balance sheets date and estimates, based upon historical claims experience, for claims incurred but not reported (IBNR).

Management estimates the amount of the IBNR using standard actuarial developmental methodologies based upon, but not limited to, historical payment information and trends, denied claim activity, expected medical cost inflation, seasonality patterns, and changes in membership. This estimate includes a provision for potential adverse deviation, which considers multiple factors, including known environmental and economic factors, changes in current payment patterns, potential high-cost cases, and the impact of new technology or pharmaceuticals on cost.

Management's IBNR best estimate is made on an accrual basis and adjusted in future periods based upon actual payment patterns and any changes in estimation factors. The reserve is adjusted as additional information becomes known and the current period includes adjustments related to prior-period estimates. The majority of the IBNR reserve balance held at the end of a reporting period is associated with the most recent months' incurred services, most of which have not been paid.

The IBNR estimation methodology has been consistently applied from period to period and there were no material changes in the amount of these reserves, or as a percentage of reserve for claims and other settlements, between December 31, 2021 and 2020. Given the inherent variability of such estimates, the actual liability could differ significantly from the amounts estimated.

### ***Deferred Compensation***

Certain employees of the System participate in deferred compensation plans. The System has chosen to fund this liability using mutual funds and annuity or insurance contracts solely owned by the System. These assets are subject to the claims of the System's general creditors. Earnings related to the deferred compensation assets, including unrealized appreciation or depreciation, are included in other revenue and changes in the corresponding liability are included in salaries, wages, and employee benefits in the consolidated statements of operations and changes in net assets. The asset and liability are recorded at fair market value. The System recorded a charge to salaries, wages, and employee benefits expense of \$25,164 and \$22,770 during the years ended December 31, 2021 and 2020, respectively, related to the return on deferred compensation assets.

### ***Deferral of Employment Tax Payments***

The COVID Acts permitted employers to defer payment of the 6.2% employer Social Security tax beginning March 27, 2020, through December 31, 2020. Deferred tax amounts are required to be paid in equal amounts over two years, with payments due in December 2021 and December 2022. During the year ended December 31, 2020, the System deferred Social Security tax payments totaling \$80,161 pursuant to this provision. At December 31, 2021, the remaining balance of \$38,470 to be repaid was included in other liabilities and accrued expenses.

### **Tax Status**

The System, except for HAP, ASR, and Onika, consists of entities described under Internal Revenue Service (IRS) Code Section 501(c)(3) and, as such, are exempt from federal income taxes under IRS Code Section 501(a) and do not have private foundation status under IRS Code Section 509(a)(1), 509(a)(2), or 509(a)(3). HAP is an entity described under IRS Code Section 501(c)(4) and, as such, is exempt from federal income taxes. ASR is a taxable entity. The System's wholly owned insurance captive, Onika, operates in the Cayman Islands and is currently not subject to income taxes. The System does not have any material uncertain tax positions as of December 31, 2021 and 2020.

### **Adoption of New Accounting Standards**

FASB Accounting Standards Update (ASU) No. 2018-14 (Issued August 2018), *Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20)—Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans*—This amends ASC 715, *Compensation Retirement—Benefits*, and updates disclosure requirements to reflect most relevant information and applies to all employers that sponsor defined benefit pension or other postretirement plans. This update modifies existing disclosure requirements on defined benefit pension or other postretirement plans.

### **Forthcoming Accounting Standards**

FASB ASU No. 2016-13 (issued June 2016), *Financial Instruments—Credit Losses (Topic 326)—Measurement of Credit Losses on Financial Instruments*—Introduced a new model for recognizing credit losses on financial instruments based on an estimate of the current expected credit losses (CECL). The new CECL model generally calls for the immediate recognition of all expected credit losses and applies to financial instruments and other assets. This guidance replaces the current incurred loss model for measuring expected credit losses, requires expected losses on available-for-sale debt securities to be recognized through an allowance for credit losses rather than as reductions in the amortized cost of the securities, and provides for additional disclosure requirements. This guidance is effective for fiscal years beginning after December 15, 2021, with early adoption permitted. The System is evaluating the impact this guidance may have on the System's December 31, 2022, consolidated financial statements.

FASB ASU No. 2020-07 (issued September 2020), *Presentation and Disclosures by Non-for-Profit Entities for Contributed Nonfinancial Assets*—This guidance requires not-for-profit entities to present contributed nonfinancial assets as a separate line item in the statement of activities and changes in net assets, apart from contributions of cash and other financial assets. Adoption of this standard is to be applied on a retrospective basis for annual periods beginning after June 15, 2021. Early adoption is permitted. The System is evaluating the impact this guidance may have on the System's December 31, 2022, consolidated financial statements.

FASB ASU No. 2021-09 (issued September 2021), *Leases (Topic 842): Discount Rate for Lessees That Are Not Public Business Entities*—This guidance allows lessees that are not public business entities to make an accounting policy election by class of underlying asset, rather than on an entity-wide basis, to use a risk-free rate as the discount rate when measuring and classifying leases. Adoption of this standard is to be applied using the modified retrospective transition method to leases affected by the amendments existing as of the beginning of the year of adoption by adjusting the lease liability and corresponding right-of-use (ROU) asset at the beginning of the fiscal year in which the ASU is adopted. The transition is required for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The System is evaluating the impact this guidance may have on the System’s December 31, 2022, consolidated financial statements.

## 2. NET PATIENT SERVICE REVENUE

A substantial portion of net patient service revenue is paid by Medicare, Medicaid, and Blue Cross based upon contracted rates or under cost-reimbursement agreements in 2021 and 2020. Provisions for estimated retroactive adjustments under these agreements for current and prior years have been reflected in the accounts based upon the most current information available. Net patient service revenue of \$24,790 and \$5,853 related to prior-year settlements was recorded during the years ended December 31, 2021 and 2020, respectively. The composition of net patient service revenue by payor for the years ended December 31, 2021 and 2020, is as follows:

	2021		2020	
Medicare	\$ 1,867,600	44 %	\$ 1,600,326	44 %
Medicaid	708,839	17	625,100	17
Blue Cross	1,175,456	28	965,133	26
Self-pay	33,076	1	25,368	1
Commercial and other	456,689	10	449,928	12
Total	\$ 4,241,660	100 %	\$ 3,665,855	100 %

Letters of final settlements have not been received from Medicare for 2012 through 2021, from Medicaid for 2016 through 2021, or from Blue Cross for 2019 through 2021. The System is appealing various elements of Medicare final settlements dating back to 1999.

### 3. UNCOMPENSATED CARE AND COMMUNITY BENEFIT

The System demonstrates its exempt purpose by providing multiple services to support the health and well-being of the communities it serves. In addition to offering emergency services open to the public 24 hours a day, seven days a week, the System provides health care services without charge or at amounts less than its established rates to patients who meet the criteria of its patient financial assistance policy. Charity care is reported at estimated cost using a cost-to-charge ratio methodology. Other major community benefit commitments include participating in public programs under which reimbursement is less than the cost of providing care, maintaining research programs focused on improving health care, offering community education and outreach in the form of free or low-cost clinics and health screenings, education, and donations to support external community programs.

The major components of community benefit for the years ended December 31, 2021 and 2020, are as follows:

	<u>2021</u>	<u>2020</u>
Charity care at cost	\$ 62,991	\$ 43,844
Unpaid cost of Medicare, Medicaid, and other public programs	526,945	507,940
Implicit price concessions	<u>77,409</u>	<u>92,918</u>
 Total cost of uncompensated care	 667,345	 644,702
 Research	 97,446	 85,002
Health professional education	113,000	95,311
Community health services and building activities	16,989	17,620
Subsidized health services	18,727	15,962
Community benefit operations and financial donations	<u>4,202</u>	<u>5,608</u>
 Total community benefit	 <u>\$917,709</u>	 <u>\$864,205</u>

The IRS requires the reported community benefit activities to be offset by external funding received. The System received \$78,681 and \$65,906 of external funding for research and \$3,953 and \$2,956 of external funding for community health services and building activities during the years ended December 31, 2021 and 2020, respectively.

#### 4. INVESTMENTS AND FAIR VALUE MEASUREMENTS

**Fair Value Measuring Hierarchy**—The System assesses the inputs used to measure fair value using a three-level hierarchy based on the extent to which inputs are observable in the market. The fair value hierarchy is as follows:

*Level 1*—Quoted (unadjusted) prices for identical assets in active markets

*Level 2*—Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets in active markets
- Quoted prices for identical or similar assets in nonactive markets (few transactions, limited information, noncurrent prices, high variability over time, etc.)
- Inputs other than quoted prices that are observable for the asset (interest rates, yield curves, volatilities, default rates, etc.)
- Inputs that are derived principally from or corroborated by other observable market data

*Level 3*—Unobservable inputs that cannot be corroborated by observable market data

Fair values of securities are based on quoted market prices, where available. The System obtains one price for each security, primarily from a third-party pricing service (“pricing service”), which generally uses Level 1 or Level 2 inputs for the determination of fair value. The pricing service normally derives the security prices through recently reported trades for identical or similar securities, making adjustments through the reporting date based upon available observable market information. For securities not actively traded, the pricing service may use quoted market prices of comparable instruments or discounted cash flow analyses, incorporating inputs that are currently observable in the markets for similar securities. Inputs into the methodologies include nonbinding broker quotes, benchmark yields, credit spreads, default rates, and prepayment speeds. The System assesses the reasonableness of the pricing information quarterly and has not historically made any adjustments.

When the inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement is determined based on the lowest-level input that is significant to the fair value measurement in its entirety. The System’s assessment of the significance of a particular item to the fair value measurement in its entirety requires judgment, including the consideration of inputs specific to the asset.

***Fair Value Measurement Methods***—The following methods and assumptions are used to estimate the fair value of each class of financial instrument:

*Cash equivalents*—The carrying value approximates fair value as maturities are less than three months. Cash equivalents, comprised primarily of money markets, are classified as Level 1.

*Debt securities*—The estimated fair values are based on quoted market prices and/or other market data for the same or comparable instruments and transactions in establishing the prices. Due to the nature of pricing fixed-income securities, management classifies debt securities as Level 2 investments.

*Equity securities*—The estimated fair values are based on quoted market prices and/or other market data for the same or comparable instruments and transactions in establishing the prices. Nonpublicly traded securities are recorded at fair value based on NAV, which is calculated using the most recent fund financial statements. The funds in this class include equities, bonds, other fixed-income instruments, equities, or other asset classes.

*Hedge funds*—Underlying assets in these funds may include equity and debt securities, commodities, currencies, and derivatives. These funds are valued at NAV, which is calculated using the most recent fund financial statements.

*Private markets*—The estimated fair values are based on NAV, which is calculated using the most current financial statements issued by each fund. The value is adjusted for cash flows to and from the fund subsequent to the financial statement reporting date as well as other data available for the funds.

*Grants and pledges receivable*—The fair value is estimated by management using the discounted cash flows method.

**Fair Values**—Information about the fair value of the System’s financial assets and liabilities, according to the valuation techniques the System used to determine its fair values, as of December 31, 2021 and 2020, is as follows:

	<u>2021</u>	<u>2020</u>
Assets measured at fair value:		
Level 1:		
Cash equivalents	\$ 629,874	\$ 1,179,505
Common stock	35,528	30,290
Collective equity funds:		
Asset allocation	165,370	247,190
Common stock	268,729	234,744
Debt securities	<u>210,346</u>	<u>193,870</u>
Subtotal—Level 1	<u>1,309,847</u>	<u>1,885,599</u>
Level 2:		
Cash equivalents	99,564	-
Debt securities:		
Asset-backed securities	85,605	65,828
Commercial paper	26,872	47,336
Corporate debt securities	120,360	67,830
Government and agency debt securities	89,690	110,482
Nonagency mortgage-backed securities	5,774	8,623
Other debt securities	<u>42,239</u>	<u>26,921</u>
Total cash equivalents and debt securities	470,104	327,020
Grants and pledges receivable at fair value	<u>65,049</u>	<u>49,277</u>
Subtotal—Level 2	<u>535,153</u>	<u>376,297</u>
Subtotal—assets measured at fair value	1,845,000	2,261,896
Investments measured at NAV	1,763,118	1,484,140
Cash	200,469	68,032
Other	<u>377</u>	<u>336</u>
Total	<u>\$ 3,808,964</u>	<u>\$ 3,814,404</u>
Asset classifications:		
Cash and cash equivalents	\$ 836,940	\$ 1,237,306
Short-term investments	46,273	30,502
Assets limited as to use	1,123,083	1,008,217
Long-term investments	<u>1,802,668</u>	<u>1,538,379</u>
Total	<u>\$ 3,808,964</u>	<u>\$ 3,814,404</u>

**Investments at NAV**—The fair value measurements of certain investments calculated based on NAV, for the years ended December 31, 2021 and 2020, are as follows (there were approximately \$154,785 in unfunded commitments for private market investments at year-end 2021):

	<u>2021</u>	<u>2020</u>	<u>Frequency</u>	<u>Notice Period</u>
Collective funds:				
Asset allocation	\$ 84,057	\$ 53,154	Daily	2 days
Common stock	959,369	834,561	Daily, monthly	1–30 days
Debt securities	403,064	341,483	Daily, monthly, semimonthly	2–30 days
Hedge funds	140,533	123,027	Quarterly, annually	45–90 days
Private markets	<u>176,095</u>	<u>131,915</u>	N/A	N/A
Total	<u>\$ 1,763,118</u>	<u>\$ 1,484,140</u>		

For purposes of NAV, the following investment category definitions are applied:

**Asset allocation**—Investment funds that consist of diversified portfolios of debt, equity, and other assets often providing the money manager with discretion as to the allocation of assets.

**Common stock**—Investment funds that invest substantially all their assets in the equity securities of publicly traded companies in the United States, developed international markets, and emerging international markets.

**Debt securities**—Investment funds that invest substantially all their assets in debt securities, including government and corporate bonds, both domestic and foreign.

**Hedge funds**—Investments funds that have advanced investment strategies with long, short, and derivative positions in domestic and foreign markets. Certain funds have provisions that limit access to the invested funds. These provisions include lockup terms that range up to three years from the subscription date.

**Private markets**—Investment vehicles typically organized as limited partnerships that are not publicly traded. Funds comprise a variety of asset classes with advanced investment strategies, including growth equity, buyouts, venture capital, special situation, secondary funds, private debt, real estate, and real assets. Funds have reduced liquidity with a long-term investment horizon averaging five to ten years and committed capital is drawn down over this life of the fund.

**Debt Maturities**—The debt securities are carried at fair value. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Holdings as of December 31, 2021, by contractual maturity, are listed as follows:

<b>Maturity</b>	<b>Estimated Fair Value</b>
Due in one year or less	\$ 202,926
Due in one year through five years	175,113
Due in five years through ten years	19,973
Due after ten years	<u>72,092</u>
Total	<u>\$ 470,104</u>

**Total Investments Return, net**—The total return on the investment portfolios for the years ended December 31, 2021 and 2020, consisted of the following:

	<b>2021</b>	<b>2020</b>
Interest and dividend income	\$ 34,832	\$ 21,571
Realized gains	61,384	9,150
Unrealized gains	<u>200,657</u>	<u>219,326</u>
Total investment return, net	<u>\$ 296,873</u>	<u>\$ 250,047</u>

Total investment return, net for the years ended December 31, 2021 and 2020, consisted of the following:

	<b>2021</b>	<b>2020</b>
Included in other revenue:		
Funds designated for malpractice and general liability	\$ 1,928	\$ 3,140
Funds designated for deferred compensation	25,164	22,770
Other miscellaneous interest	(1)	66
Included in nonoperating items:		
The Foundation	61,929	39,796
Interest, dividends, and realized and unrealized gains from other unrestricted assets	<u>170,720</u>	<u>156,056</u>
Total	259,740	221,828
Investment return, net on restricted investments	<u>37,133</u>	<u>28,219</u>
Total investment return, net	<u>\$ 296,873</u>	<u>\$ 250,047</u>

## 5. ASSETS LIMITED AS TO USE

Assets limited as to use as of December 31, 2021 and 2020, consisted of the following:

	<u>2021</u>	<u>2020</u>
Assets without donor restrictions:		
The Foundation	\$ 409,032	\$ 363,401
Funds held by trustee	-	1,755
Funds designated for malpractice and general liability	59,572	60,436
Funds designated for deferred compensation	250,525	218,790
HAP statutory funds	2,350	2,350
Funds board designated for research, education, and other	<u>26,572</u>	<u>28,037</u>
Total assets without donor restrictions	<u>748,051</u>	<u>674,769</u>
Assets with donor restrictions:		
Perpetual in nature	129,277	125,843
Purpose restricted	180,706	158,328
Grants and pledges receivable	<u>65,049</u>	<u>49,277</u>
Total assets with donor restrictions	<u>375,032</u>	<u>333,448</u>
Total assets limited as to use	1,123,083	1,008,217
Less requirements for current liabilities	<u>53,005</u>	<u>47,854</u>
Noncurrent assets limited as to use	<u>\$ 1,070,078</u>	<u>\$ 960,363</u>

Grants and pledges receivable are expected to be collected, and as of December 31, 2021 and 2020, consisted of the following:

	<u>2021</u>	<u>2020</u>
Amounts expected to be collected in:		
Less than one year	\$ 49,303	\$ 27,890
One to five years	13,417	17,501
More than five years	<u>3,030</u>	<u>4,040</u>
Total grants and pledges expected to be collected	65,750	49,431
Unamortized discount	<u>(701)</u>	<u>(154)</u>
Total grants and pledges receivable with donor restrictions	<u>\$ 65,049</u>	<u>\$ 49,277</u>

Onika had reserve deposits of \$27,381 and \$27,789 as of December 31, 2021 and 2020, respectively, under a reinsurance trust agreement and an agency agreement. These amounts are included above in funds designated for malpractice and general liability. The HAP statutory funds are required by insurance regulations.

## 6. INVESTMENTS IN UNCONSOLIDATED ENTITIES

Investments in our unconsolidated entities are accounted for using the cost or equity method. The System applies the equity method of accounting for investments in unconsolidated entities when its ownership or membership interest is 50% or less and the System has the ability to exercise significant influence over the operating and financial policies of the investee. All other unconsolidated entities are accounted for using the cost method. The income (loss) on health-related unconsolidated entities is included in other revenue in the accompanying consolidated statements of operations and changes in net assets, with ownership interests ranging up to 55%.

The System maintains investments in 18 unconsolidated affiliates accounted for using the equity method. The income related to these investments, included in other revenue, was \$179 and \$4,652 for the years ended December 31, 2021 and 2020, respectively.

The summarized financial information for unconsolidated affiliates as of December 31, 2021 and 2020, consisted of the following:

	<u>2021</u>	<u>2020</u>
Net revenues	\$ 263,339	\$ 227,323
Net income	8,324	10,909
Total assets	180,193	177,199
Net assets	84,311	82,554

Effective February 1, 2021, the System and Michigan State University (MSU) entered into a collaboration agreement related to our research, medical education, and clinical programs, with the ultimate goal of creating a new research institute and a regional health campus in Detroit. This 30-year agreement demonstrates the institutions' shared commitment to the achievement of critical health care and educational goals, while addressing social issues that impact health outcomes for patients in Michigan and beyond. The System has a 50% membership in this joint venture.

The agreement reflects progressive milestones during its term and based upon reaching these milestones, the System and MSU have committed to invest annually into the collaboration over the first 10 years. The System's share of this commitment is limited to \$11,250 annually based on mutually agreed-upon funding needs and with any uncommitted amounts to be available for future funding. In addition, the System has agreed to make annual mission support payments to MSU over the duration of the agreement. The mission support payments are also contingent upon achieving established milestones over the term of the agreement. A payment of \$3,250 was made in 2021. The annual mission support payments range from \$3,250 in the first year of the agreement to \$5,050 in year 26 of the agreement.

In May 2021, the System formed a new partnership with the nation’s leading operator of high-acuity home care, Contessa, an Amedisys company. The joint venture’s high-acuity home care offering includes Hospital Care at Home, Skilled Nursing Care at Home, and Palliative Care at Home, which brings all the essential elements of hospital, rehabilitation, and medical care for skilled nursing patients and broader palliative care services into the comfort of patients’ homes. The System has a 49% membership in this joint venture and during the year ended December 31, 2021, an equity contribution of \$245 was made.

In July 2021, the System and GoHealth Urgent Care, an on-demand consumer-centric care company, announced a new partnership to operate urgent care centers across southeastern Michigan. Three existing System urgent care centers will transition to the new joint venture in early 2022, and multiple new sites are expected to open in 2022 across southeast Michigan. Henry Ford-GoHealth Urgent Care will provide southeastern Michigan communities with accessible and high-quality urgent care. The System has a 50% membership in this joint venture. The System did not make an equity contribution during the year ended December 31, 2021.

## 7. PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment as of December 31, 2021 and 2020, consisted of the following:

	<u>2021</u>	<u>2020</u>
Land and improvements	\$ 123,952	\$ 122,297
Building and improvements	1,905,417	1,748,007
Equipment	1,739,599	1,685,252
Construction in progress	<u>142,245</u>	<u>235,139</u>
Total	3,911,213	3,790,695
Less accumulated depreciation	<u>2,271,214</u>	<u>2,174,424</u>
Property, plant, and equipment—net	<u>\$ 1,639,999</u>	<u>\$ 1,616,271</u>

Internal use software is included above in equipment and construction in progress. The net book value was \$126,501 and \$129,430 at December 31, 2021 and 2020, respectively.

## 8. MEDICAL CLAIMS LIABILITY (REPORTED AND UNREPORTED)

Activity from HAP, included in medical claims liability, as of December 31, 2021 and 2020, is summarized as follows:

	<u>2021</u>	<u>2020</u>
As of January 1	\$ <u>222,072</u>	\$ <u>189,634</u>
Incurred related to:		
Current year	1,951,509	1,650,456
Prior year	<u>(71,563)</u>	<u>(35,705)</u>
Total incurred	<u>1,879,946</u>	<u>1,614,751</u>
Paid related to:		
Current year	1,713,385	1,430,473
Prior year	<u>123,721</u>	<u>151,840</u>
Total paid	<u>1,837,106</u>	<u>1,582,313</u>
As of December 31	<u>\$ 264,912</u>	<u>\$ 222,072</u>

Changes in actuarial estimates of claims unpaid reported as “incurred related to prior year” in the schedule above reflect revisions in estimates of medical cost trends and changes in claims processing patterns. Given the inherent variability of such estimates, the actual liability could differ significantly from the amounts provided.

The provision for medical claims liabilities related to prior years decreased \$71,563 in 2021 primarily due to favorable claim run out in all lines of business (commercial, Medicare, dual demonstrations and Medicaid) as well as higher than anticipated pharmacy rebates from prior years. In 2020, the provision for medical claims liabilities related to prior years decreased \$35,705 primarily due to favorable runout on commercial and Medicare claims liabilities and higher than anticipated pharmacy rebates from prior years partially offset by higher-than-expected claim activity in the dual demonstration program.

## 9. MALPRACTICE AND GENERAL LIABILITY

The System provides professional and general liability insurance through a combination of self-insurance, claims-made coverage reinsured through Onika, and excess coverage purchased from commercial carriers and Caymich Insurance Company, Ltd. (Caymich). Caymich is an offshore captive insurance company domiciled in the Cayman Islands that provides pooled risk coverage to its members. The System is a 44.9% member in Caymich at December 31, 2021 and 2020.

The System estimates a range of loss for known claims and unreported incidents and has recorded a liability based on its assessment of the most likely amount of loss in the range. The liability of \$181,348 and \$177,837 as of December 31, 2021 and 2020, respectively, has been discounted using a discount factor of 4%. Segregated funds included in assets limited as to use have been established to settle claims subject to self-insurance. Returns related to these assets of \$1,928 and \$3,140 are included in other revenue as of December 31, 2021 and 2020, respectively.

## 10. PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS

**Retirement Income Plans**—The System provides retirement benefits to substantially all its employees through a combination of qualified defined contribution and defined benefit plans. Over several years, the System has been increasing benefit alignment across affiliates, with a focus on the defined contribution plans. The funding policy for all defined benefit plans meets or exceeds the minimum funding requirements of the Employee Retirement Security Act of 1974. The expense related to the defined contribution plans was approximately \$93,421 and \$94,750 for the years ended December 31, 2021 and 2020, respectively. The following summarizes the status of plans at the System and its major affiliates:

### **System, other than HAP**

**Defined Contribution Plans**—Effective with the first pay in 2018, all employees of AHG as well as newly hired employees of the System (other than those of HAP) participate in a 403(b) plan with a two-tiered benefit structure. The primary benefit has a 6% employee contribution, with a 3.5% employer match for eligible wages. The secondary benefit provides for annual employer contributions from 1.25% to 2.75% of eligible wages. System employees hired prior to 2018 (other than those of AHG and HAP) participate in a retirement savings plan, which provides for a one-time employee election to participate. This plan requires employee and employer contributions of 2% and 2.5%, respectively, of base wages up to the social security wage limit. Contributions are 4% and 5% of base wages in excess of this limit for employees and employers, respectively. This plan has a secondary account that provides an annual employer contribution ranging from 1.25% to 2.75% of eligible wages.

**Defined Benefit Plans**—Effective December 31, 2010, the System permanently froze the Henry Ford Health System Pension Plan (“System Plan”), a cash balance formula defined benefit plan, and established the secondary account under the retirement savings plan as described above, to provide continuing benefits to all existing participants as well as employees hired up to the first pay in 2018. Effective June 30, 2017, the System permanently froze the Allegiance Health Retirement Plan (“AHG Plan”), a cash balance formula defined benefit plan. Employees of AHG are provided transitional credits until the end of 2020 through the 403(b) plan described above. On September 25, 2019, the board of directors of AHG and the board of trustees of Allegiance Health jointly agreed to accept the merger of the System Plan into the AHG Plan effective December 31, 2019.

In accordance with the System’s pension de-risking strategy, the System distributed lump sum checks and purchased annuities for certain participants in the fourth quarter of 2021. These transactions resulted in settling approximately \$101,000 of benefit obligation. A one-time settlement charge for this transaction and the normal lump sum settlement payments were recorded as nonoperating - other components of net periodic pension (cost) benefit.

#### **HAP**

**Defined Contribution Plan**—HAP maintains a 401(k) plan that provides benefits to qualifying employees with a primary and secondary benefit structure and formula similar to the System’s 403(b) program described above.

**Defined Benefit Plans**—Effective December 31, 2011, HAP permanently froze the final average pay benefit formula and adopted a cash balance formula in its defined benefit plan for all nonrepresented employees and for the UAW Local 600 Union Office/Nonexempt Bargaining unit participants hired on or after January 1, 2012, and for the UAW Local 600 Union Sales and Labor unit participants hired on or after April 1, 2012.

The cash balance benefit was frozen effective March 19, 2016, for participants in UAW Local 600 Union Office/Nonexempt Bargaining and effective December 23, 2017, for nonrepresented participants. All impacted participants as well as new employees after January 1, 2018, are eligible for the secondary benefit in the HAP 401(k) described above.

**Postretirement Health Care**—The System also provides postretirement health care and life insurance benefits to certain employees who met minimum age and years of service requirements as of December 31, 2006. These employees are also required to meet certain eligibility requirements at the time of retirement. Benefits to employees may require employee contributions or be provided in the form of a fixed-dollar subsidy.

**Retirement Program Investment Management**—The System’s primary investment objective for the pension plans is to ensure sufficient funds are available to meet the plan’s benefit and expense obligations and to maintain compliance with regulatory funding requirements. The plans are managed with a long-term duration and liability investment perspective with the goal to achieve risk-adjusted returns on plan assets and plan liabilities.

The allocation percentages of the fair value of total plan assets held, as of the measurement dates, December 31, 2021 and 2020, for the combined trust are shown below:

<b>Combined Trust</b>	<b>Target</b>	<b>2021</b>	<b>2020</b>
Cash and cash equivalents	2 %	1 %	1 %
Common stock funds	51	52	56
Debt securities funds	44	44	37
Global asset allocation funds	<u>3</u>	<u>3</u>	<u>6</u>
Total	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>

The following tables present information about the fair value of the total plan assets as of December 31, 2021 and 2020, according to the valuation techniques the System used to determine its fair values as described in Note 4:

<b>Combined Trust</b>	<b>2021</b>	<b>2020</b>
Assets measured at fair value:		
Level 1:		
Cash equivalents	\$ 3,552	\$ 8,645
Collective equity funds:		
Common stock	34,468	49,454
Debt securities	<u>35,342</u>	<u>38,485</u>
Total investments measured at fair value	<u>73,362</u>	<u>96,584</u>
Investments measured at NAV:		
Collective funds:		
Asset allocation	16,767	20,787
Common stock	238,363	288,903
Debt securities	194,421	184,050
Hedge fund	-	12,802
Private equity	<u>1,772</u>	<u>2,615</u>
Total investments measured at NAV	<u>451,323</u>	<u>509,157</u>
Total	<u>\$ 524,685</u>	<u>\$ 605,741</u>

**Projected Benefit Obligations**—Information regarding the projected benefit obligation and assets of the defined benefit pension and postretirement benefit plans for the System as of and for the years ended December 31, 2021 and 2020, is as follows:

	Pension Benefits		Postretirement Benefits	
	2021	2020	2021	2020
Change in benefit obligation:				
Benefit obligation—beginning of year	\$ 768,778	\$ 745,318	\$ 51,930	\$ 57,493
Service cost	9,525	4,924	625	802
Interest cost	18,097	23,378	1,226	1,828
Actuarial (gain) loss	(15,557)	58,105	(3,662)	(3,370)
Benefits paid	(26,641)	(22,841)	(1,525)	(4,818)
Medicare Part D subsidy	-	-	-	386
Settlements	(138,591)	(40,118)	-	-
Plan changes/other	-	12	-	(391)
Benefit obligation—end of year	<u>615,611</u>	<u>768,778</u>	<u>48,594</u>	<u>51,930</u>
Change in plan assets:				
Fair value of assets—beginning of year	605,741	584,307	-	-
Actual return on assets	56,135	65,887	-	-
Employer contributions	28,041	18,506	1,525	4,818
Benefits paid	(26,641)	(22,841)	(1,525)	(4,818)
Settlements	<u>(138,591)</u>	<u>(40,118)</u>	<u>-</u>	<u>-</u>
Fair value of assets—end of year	<u>524,685</u>	<u>605,741</u>	<u>-</u>	<u>-</u>
Amounts included in the consolidated balance sheets:				
Total accrued liability	<u>\$ 90,926</u>	<u>\$ 163,037</u>	<u>\$ 48,594</u>	<u>\$ 51,930</u>
Current liability	<u>\$ 1,251</u>	<u>\$ 1,438</u>	<u>\$ 3,754</u>	<u>\$ 3,761</u>
Long-term liability	<u>\$ 89,675</u>	<u>\$ 161,599</u>	<u>\$ 44,840</u>	<u>\$ 48,169</u>

Lump-sum settlements of \$138,591 and \$40,118 were made during the years ended December 31, 2021 and 2020, respectively. As a result of total lump-sum settlements exceeding the sum of service costs and interest costs, the System recognized a settlement loss of \$16,598 and \$6,744 during 2021 and 2020, respectively.

**Pension and Postretirement Benefit Plan Expense**—All previously unrecognized actuarial losses are reflected in the consolidated balance sheets. Pension and postretirement plan benefit items not yet recognized as a component of periodic pension and postretirement plan expense, but included within net assets without donor restrictions, as of and for the years ended December 31, 2021 and 2020, are as follows:

	<u>Pension Benefits</u>		<u>Postretirement Benefits</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Unrecognized prior service cost (credit)	\$ 3,084	\$ 3,214	\$ (8,892)	\$ (17,948)
Unrecognized net actuarial loss	<u>66,467</u>	<u>150,586</u>	<u>4,672</u>	<u>9,152</u>
Total	<u>\$ 69,551</u>	<u>\$ 153,800</u>	<u>\$ (4,220)</u>	<u>\$ (8,796)</u>

An estimated \$128 in prior service cost and \$1,503 in net actuarial loss will be included as components of periodic pension plan expense in 2022. An estimated \$(8,682) in prior service credit and \$11 in net actuarial loss will be included as a component of periodic postretirement medical plan expense in 2022.

The accumulated benefit obligation was \$612,302 and \$765,237 as of December 31, 2021 and 2020, respectively.

Information regarding the net benefit cost of the pension and postretirement benefit plans for the System as of and for the years ended December 31, 2021 and 2020, is as follows:

	<u>Pension Benefits</u>		<u>Postretirement Benefits</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Components of net periodic benefit cost (benefit):				
Service cost	\$ 9,525	\$ 4,924	\$ 625	\$ 802
Interest cost	18,097	23,378	1,226	1,828
Expected return on assets	(35,470)	(35,137)	-	-
Amortization of prior service cost (credit)	128	127	(9,055)	(8,919)
Amortization of actuarial loss	31,285	9,465	818	1,701
Settlement cost	<u>16,598</u>	<u>6,744</u>	<u>-</u>	<u>-</u>
Net periodic benefit cost (benefit)	<u>\$ 40,163</u>	<u>\$ 9,501</u>	<u>\$ (6,386)</u>	<u>\$ (4,588)</u>

**Assumptions**—Information on the assumptions that were used to determine the benefit obligation and net benefit costs as of and for the years ended December 31, 2021 and 2020, is as follows:

	<b>Pension Benefits</b>		<b>Postretirement Benefits</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Discount rate—benefit obligation	1.60%-2.85%	1.10%–2.50%	2.85%-2.90%	2.45%–2.50%
Discount rate—benefit cost	1.10%–2.50%	2.65%–3.30%	2.45%-2.50%	3.30%
Expected return on plan assets	6.30%	6.30%	N/A	N/A

The expected long-term rate of return on System plan assets is established based on management’s expectations of asset returns for the investment mix in the plans, considering historical experience, current economic environment, and forecasted risk/reward assumptions. The expected returns of various asset categories are blended to derive one long-term assumption.

**Trend Rates**—Assumed health care cost trend rates have a significant effect on the amounts reported for the postretirement plans. The trend rates for 2022 are as follows:

	<b>Postretirement Plans</b>
Medical trend rate	6.1%
Prescription drug trend rate	7.8%
Ultimate health care and prescription drug trend rate	5.0%
Year in which ultimate trend rates reached	2033

**Expected Future Contributions**—The System is expected to contribute \$1,800 to the pension plans and \$3,807 to the postretirement health care plans in 2022.

**Expected Benefit Payments**—As of December 31, 2021, the System expects to pay the following pension benefits and postretirement benefits for each of the next five years and in the aggregate for the succeeding five years thereafter as follows:

	<b>Pension Plans</b>	<b>Postretirement Plans</b>
<b>Years Ending December 31:</b>		
2022	\$ 58,666	\$ 3,807
2023	55,070	3,768
2024	54,961	3,705
2025	52,029	3,619
2026	48,985	3,534
Thereafter	177,086	15,942

## 11. LONG-TERM OBLIGATIONS

Long-term obligations as of December 31, 2021 and 2020, consisted of the following:

<u>Obligation</u>	<u>Maturity</u>	<u>Rate</u>		<u>2021</u>	<u>2020</u>
Bonds Series 2016	2022 to 2046	Fixed	3.00%–5.00%	\$ 819,225	\$ 835,880
Bonds Series 2019A	2048 to 2050	Fixed	4.00%–5.00%	227,910	227,910
Taxable term loan	2021	Variable	1.01%	-	34,685
Other obligations		Fixed	4.54%–4.82%	3,415	3,667
Deferred issuance costs, net				(6,970)	(7,387)
Unamortized bond premium				<u>105,094</u>	<u>111,188</u>
Total				1,148,674	1,205,943
Less current portion				<u>17,952</u>	<u>51,751</u>
Total long-term obligations				<u>\$ 1,130,722</u>	<u>\$ 1,154,192</u>

The System’s 2016 Master Indenture agreement created the Henry Ford Health System Credit Group (the “Credit Group”). The Credit Group is comprised of the Henry Ford Health System Obligated Group (the “Obligated Group”), Henry Ford Health System Designated Affiliates (the “Designated Affiliates”), and Henry Ford Health System Limited Designated Affiliates (the “Limited Designated Affiliates”). The Corporation, Wyandotte, Macomb, and Allegiance Health are members of the Obligated Group. HAP (excluding its subsidiaries) and the Foundation are Designated Affiliates. There are currently no Limited Designated Affiliates. The agreement contains financial covenants relating to permitted debt, permitted encumbrances, permitted dispositions of cash and other assets, permitted guarantees, and permitted mergers and reorganizations.

On May 2, 2019, the System issued \$227,910 in Series 2019A hospital revenue bonds, at a premium of \$22,094 with issuance costs of \$2,304. During 2021, the System received the remaining \$1,755 that was held in trust at December 31, 2021.

The approximate principal requirements on long-term obligations for the next five years and thereafter are as follows:

### Years Ending December 31:

2022	17,952
2023	18,849
2024	20,737
2025	20,588
2026	21,532
Thereafter	950,892

The System has various credit agreements it may borrow from with varying expiration dates which are detailed in the table below. There were \$34,685 in advances on the lines at December 31, 2021, and no advances in 2020. The System also holds \$17,966 in letter of credit capacity with outstanding commitments of \$12,553 and \$9,234 as of December 31, 2021 and 2020, respectively.

December 31, 2021			December 31, 2020		
Borrowing	Expiration		Borrowing	Expiration	
Limit	Date		Limit	Date	
\$ 75,000	April 19, 2022		\$ 100,000	June 2, 2021	
100,000	May 24, 2022		100,000	June 2, 2021	
150,000	May 25, 2023		50,000	April 16, 2021	
100,000	April 28, 2024		100,000	April 23, 2021	
100,000	April 30, 2024		100,000	April 29, 2021	
			75,000	April 19, 2022	
<u>\$ 525,000</u>			<u>\$ 525,000</u>		

## 12. LEASES

The System utilizes operating and finance leases for medical and office buildings, medical equipment, and various other equipment. The initial lease liability is calculated as the present value of fixed payments not yet paid and variable payments that are based on a market rate or an index (e.g., Consumer Price Index), measured at commencement. The ROU asset represents the lessee's right to use a specified asset for the lease term and is measured at the lease liability amount, adjusted for lease prepayment, lease incentives received, and the lessee's initial direct costs. The lease agreements generally require the System to pay maintenance, repairs, property taxes, and insurance costs, which are variable amounts based on actual costs incurred during each applicable period. Such costs are not included in the determination of the ROU asset or lease liability. Most leases include options to renew the lease at the end of the initial term. These options are evaluated at the commencement of the lease, and only those that are reasonably certain of being exercised are included in determining the appropriate lease term. The System's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

When readily determinable, the System uses the interest rate implicit in a lease to determine the present value of future lease payments. For leases where the implicit rate is not readily determinable, the System's incremental borrowing rate is utilized. The incremental borrowing rate is not a quoted rate and is derived by applying a spread over U.S. Treasury rates with a similar duration to the System's lease payments.

The components of lease cost and rent expense, included in general and other administrative expense, depreciation and amortization expense, rent and lease expense, and interest expense for the years ended December 31, 2021 and 2020, are as follows:

<b>Lease Cost:</b>	<u>2021</u>	<u>2020</u>
Finance lease cost:		
Amortization of ROU assets	\$ 6,490	\$ 5,067
Interest on lease liabilities	3,795	1,690
Operating lease cost	38,972	38,720
Short-term lease cost	14,104	16,761
Variable lease cost	<u>11,202</u>	<u>9,840</u>
 Total lease cost	 <u>\$ 74,563</u>	 <u>\$ 72,078</u>

The System did not have any subleases as of December 31, 2021 or 2020.

<b>Cash flow and other information:</b>	<u>2021</u>	<u>2020</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases <sup>(1)</sup>	\$ 37,522	\$ 37,286
Operating cash flows from finance leases	\$ 3,783	\$ 1,690
Financing cash flows from finance leases	\$ 4,248	\$ 4,126
 ROU assets obtained in exchange for new finance lease liabilities	 \$ 102,618	 \$ 2,583
 ROU assets obtained in exchange for new operating lease liabilities	 \$ 28,125	 \$ 16,172
 Weighted-average remaining lease term:		
Finance leases	23.8 years	16.8 years
Operating leases	7.9 years	8.3 years
 Weighted-average discount rate:		
Finance leases	4.6%	3.7%
Operating leases	3.7%	3.8%

<sup>(1)</sup> Included in the change in other liabilities in the consolidated statements of cash flows.

The schedule of maturity of lease liabilities for balances outstanding at December 31, 2021, is as follows:

Years Ending December 31:	Operating Leases	Finance Leases
2022	32,513	7,905
2023	31,583	9,178
2024	28,377	8,915
2025	26,641	8,939
2026	24,292	8,796
Thereafter	<u>80,353</u>	<u>237,170</u>
Total commitments	223,759	280,903
Less imputed interest	<u>31,922</u>	<u>129,070</u>
Present value of lease liabilities	<u>\$ 191,837</u>	<u>\$ 151,833</u>

### 13. COMMITMENTS AND CONTINGENCIES

The System is party to lawsuits incidental to its operations and management believes that the ultimate outcome of these contingencies will not have a material effect on the accompanying consolidated financial statements.

The health care industry is subject to numerous and complex laws and regulations of federal, state, and local governments. Compliance with these laws and regulations, specifically those relating to the Medicare and Medicaid programs, can be subject to review and interpretation, as well as future regulatory enforcement actions, such as fines, penalties, and repayment of previously billed and collected revenues. Management believes that the System complies with current laws and regulations.

#### 14. NET ASSETS WITHOUT DONOR RESTRICTIONS

Changes in consolidated net assets without donor restrictions attributable to the System and the NCIs for the years ended December 31, 2021 and 2020, are as follows:

	<u>Henry Ford Health System</u>	<u>Noncontrolling Interests</u>	<u>Total</u>
Net assets without donor restrictions—December 31, 2019	<u>\$ 2,229,422</u>	<u>\$ 3,317</u>	<u>\$ 2,232,739</u>
Excess of revenue over expenses from consolidated operations	420,247	2,052	422,299
Net assets released from restrictions for capital	7,395	-	7,395
Distributions to noncontrolling interests	-	(1,716)	(1,716)
Pension and other postretirement net adjustments	<u>(14,490)</u>	<u>-</u>	<u>(14,490)</u>
Increase in net assets without donor restrictions	<u>413,152</u>	<u>336</u>	<u>413,488</u>
Net assets without donor restrictions—December 31, 2020	<u>\$ 2,642,574</u>	<u>\$ 3,653</u>	<u>\$ 2,646,227</u>
Excess of revenue over expenses from consolidated operations	39,435	1,367	40,802
Net assets released from restrictions for capital	7,182	-	7,182
Distributions to noncontrolling interests	-	(1,679)	(1,679)
Pension and other postretirement net adjustments	<u>79,673</u>	<u>-</u>	<u>79,673</u>
Increase (decrease) in net assets without donor restrictions	<u>126,290</u>	<u>(312)</u>	<u>125,978</u>
Net assets without donor restrictions—December 31, 2021	<u>\$ 2,768,864</u>	<u>\$ 3,341</u>	<u>\$ 2,772,205</u>

#### 15. ENDOWMENTS

The System's endowments consist of various funds established for specific purposes that are either designated by the board and included in net assets without donor restrictions or designated by a donor and are included in net assets with donor restrictions. The assets are managed in a custodial account. The target allocation in this account is:

	<u>Target</u>
Common stock funds	45 %
Private equity funds	20
Hedge funds	9
Debt securities funds	14
Global allocation and liquid real asset funds	<u>12</u>
Total	<u>100 %</u>

The annual spending appropriation from the endowments is determined by the average of the beginning balance for each of the 12 previous quarters multiplied by a 5% spending factor. The endowment corpus is maintained in perpetuity for donor-restricted endowments.

The composition of endowment net assets as of December 31, 2021 and 2020, and the changes in endowment net assets for the years ended December 31, 2021 and 2020, are summarized as follows:

	<b>Endowment Net Assets Designated by Board</b>	<b>Endowment Net Assets with Donor Restrictions</b>	<b>Total</b>
Endowment net assets—December 31, 2019	339,811	130,160	469,971
Investment return, net	39,790	1,153	40,943
Contributions and other	-	1,385	1,385
Annual spending appropriation	<u>(16,200)</u>	<u>(5,787)</u>	<u>(21,987)</u>
Endowment net assets—December 31, 2020	<u>\$ 363,401</u>	<u>\$ 126,911</u>	<u>\$ 490,312</u>
Investment return, net	61,929	5,966	67,895
Contributions and other	-	4,275	4,275
Annual spending appropriation	<u>(16,300)</u>	<u>(5,999)</u>	<u>(22,299)</u>
Endowment net assets—December 31, 2021	<u>\$ 409,030</u>	<u>\$ 131,153</u>	<u>\$ 540,183</u>

## 16. INFORMATION ABOUT LIQUIDITY

The System's strategy is designed to ensure liquidity across all operating units and meet all regulatory requirements. To accomplish this, separate cash funds are maintained for the System and for each of the regulated insurance subsidiaries (collectively, the "Operating Pools"). The Operating Pools asset allocations offer the potential for higher return consistent with reasonable risk, while also ensuring adequate liquidity to meet the System's general expenditures, liabilities, and other obligations as they come due. In addition, as part of its liquidity management, the System invests cash in excess of daily requirements in various short-term investments, primarily government money market funds. As more fully described in Note 11, the System also has \$525,000 in short-term credit facilities with \$34,685 in advances on the lines at December 31, 2021. In the next six months, \$175,000 of the lines are up for renewal or extension and the System is exploring options on the lines to maintain short-term borrowing abilities, which it could draw upon in the event of an unanticipated liquidity level.

The Foundation's endowment investments are designated by the board and considered a quasi-endowment as described in further detail in Note 15. The System does not intend to spend from the Foundation's endowment other than the investment income appropriated for general expenditures, however, additional funds could be made available if necessary.

The Operating Pools, the Foundation endowment, and donor-restricted endowments contain a limited allocation of investments with lock-up provisions that would reduce the total investments that could be made available (see Note 4 for disclosures about these investments). The System carefully manages liquidity through other asset classes of investments.

The System's total financial assets as of December 31, 2021 and 2020, reduced by amounts not available for general use within one year of the consolidated balance sheet date because of donor restrictions, internal designations, or certain investments with reduced liquidity are as follows:

	<u>2021</u>	<u>2020</u>
Total financial assets	\$ 4,356,013	\$ 4,286,193
Financial assets not available to be used in one year:		
Subject to contractual or donor-imposed restrictions (Note 5)	(377,382)	(337,553)
Subject to board and other designations (Note 5)	(745,701)	(670,664)
Hedge funds subject to lock-up provisions (Note 4)	(13,417)	(7,027)
Private market investments (Note 4)	<u>(115,042)</u>	<u>(68,422)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,104,471</u>	<u>\$ 3,202,527</u>

## 17. SUBSEQUENT EVENTS

Pursuant to FASB ASC Topic 855-10, *Subsequent Events* — *Overall*, the System has evaluated subsequent events through March 14, 2022, the date the consolidated financial statements were issued, noting no such events occurred.

**SUPPLEMENTAL SCHEDULES**

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

To the Audit and Compliance Committee of the Board of Trustees  
Henry Ford Health System  
Detroit, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Henry Ford Health System and affiliates (the "System"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 14, 2022, except for the Supplemental Schedule of Expenditures of Federal Awards and related notes for the year ended December 31, 2021, as to which the date is September 29, 2022. The financial statements of Health Alliance Plan of Michigan and Subsidiaries (HAP) were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with HAP.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

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

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

## Report on Compliance and Other Matters

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

### Purpose of This Report

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

*Deloitte + Touche LLP*

March 14, 2022



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## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE**

To the Audit and Compliance Committee of the Board of Trustees  
Henry Ford Health System  
Detroit, Michigan

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

#### ***Opinion on Each Major Federal Program***

We have audited Henry Ford Health System and affiliates' (the "System") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the System's major federal programs for the year ended December 31, 2021. The System's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the System complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

#### ***Basis for Opinion on Each 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 the System and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the 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 the 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 the 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 the System's compliance with the requirements of each 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 the 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 the 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 the 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.

*Deloitte + Touche LLP*

September 29, 2022

**HENRY FORD HEALTH SYSTEM**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2021**

<u>Agency</u>	<u>Sub Agency</u>	<u>ALN/Contract Number</u>	<u>Program Title</u>	<u>Federal Award Identification Number</u>	<u>Pass-Through Grantor</u>	<u>Pass-Through Grantor Identifying Number</u>	<u>Federal Expenditures</u>	<u>Expenditures Passed-through to Subrecipients</u>
<b>Research and Development Cluster:</b>								
Department of Defense								
	U.S. Army Medical Command	12.420	Military Medical Research and Development					
					Regents of the University of Colorado	FY18.794.002	\$ 2,458	\$ -
					William Beaumont Hospital	WBH21001_HFHS	28,123	-
					Department of Defense	W81XWH-17-1-0170	11,796	-
					Department of Defense	W81XWH-17-1-0305	2,653	-
					Department of Defense	W81XWH-19-1-0374	187,660	-
					Department of Defense	W81XWH-19-1-0373	288,823	-
					Department of Defense	W81XWH-19-1-0693	201,171	-
					Department of Defense	W81XWH-19-1-0508	182,413	-
					Department of Defense	W81XWH-21-1-0530	105,761	-
Department of Health and Human Services								
	Agency for Healthcare Research and Quality							
		93.226	Research on Healthcare Costs, Quality, and Outcomes					
				HS022417			(3,157)	-
					Duke University	203-7622	8,693	-
					Duke University	203-7623	50,320	-
					University of Maryland	F218483-1	(969)	-
					University of Michigan	3004566483	30,725	-
					University of Wisconsin-Madison	0000000438	77,226	-
Centers For Disease Control and Prevention								
		93.073	Birth Defects and Developmental Disabilities - Prevention and Surveillance					
				NU84DD000001			292,797	113,130
		93.083	Prevention of Disease, Disability, and Death through Immunization and Control of Respiratory and Related Diseases					
					University of Michigan	3003756185	149,215	-
		93.185	Immunization Research, Demonstration, Public Information and Education-Training and Clinical Skills Improvement Projects					
					University of Michigan	3004185093	71,018	-
					University of Michigan	3005207578	297,087	-
Food and Drug Administration								
		93.103	Food and Drug Administration_Research					
					Kaiser Foundation Research Institute	OOS03459-HFHS	56,864	-
					Kaiser Foundation Research Institute	2018114473	81,265	-
					Kaiser Permanente Washington Health Research Institute	PO# 2016174778	865,232	-
National Institutes of Health								
		93.113	Environmental Health					
				ES028235			559,238	221,253
					Trustees of Boston University	4500002975	85,682	-
					Wayne State University	WSU16035	64,082	-
					Wayne State University	WSU19080	37	-
					Wayne State University	WSU20065	33,702	-
					Wayne State University	WSU21007	70,522	-
					Wayne State University	WSU21067	496	-
					Social & Scientific Systems, Inc.	PHR-SSS-S-21-006056	30,779	-
					Social & Scientific Systems, Inc.	PHR-SSS-S-20-005772	32,605	-
					Social & Scientific Systems, Inc.	PHR-SSS-S-21-006082	3,015	-

(Continued)



**HENRY FORD HEALTH SYSTEM**  
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**For the Year Ended December 31, 2021**

<u>Agency</u>	<u>Sub Agency</u>	<u>ALN/Contract Number</u>	<u>Program Title</u>	<u>Federal Award Identification Number</u>	<u>Pass-Through Grantor</u>	<u>Pass-Through Grantor Identifying Number</u>	<u>Federal Expenditures</u>	<u>Expenditures Passed-through to Subrecipients</u>
Research and Development Cluster:								
		93.172	Human Genome Research		Harvard Pilgrim Health Care, Inc.	AH000781	\$ 19,235	\$ -
		93.213	Research and Training in Complementary and Integrative Health		Mount Sinai Medical Center	5UG3AT009149-02	31,756	-
					New York University School of Medicine	17-A0-00-008501	48,455	-
					University of Washington	UWSC11304	258,470	-
		93.233	National Center on Sleep Disorders Research					
			H138166		Wayne State University	WSU20003	163,550	-
		93.242	Mental Health Research Grants					
			MH114087				1,416,186	962,179
			MH122636				717,885	204,975
			MH125792				48,520	11,717
			MH123602				43,916	18,480
					Kaiser Foundation Research Institute	U19MH121738	42,221	5,550
					Kaiser Foundation Research Institute	RNG210861-HFHS	83,985	-
					Kaiser Foundation Research Institute	RNG210888-HFHS	29,234	-
					Kaiser Foundation Research Institute	RNG210888-BUDG02-HFHS	14,835	-
					The Trustees of the University of Pennsylvania	MH092201-07-Henry Ford	163,416	-
					The University of North Carolina at Chapel Hill	5106100	4,239	-
					The University of North Carolina at Chapel Hill	5111498	(27,305)	-
					University of Michigan	3004926459	112,236	-
		93.273	Alcohol Research Programs					
			AA02775		Michigan State University	RC111989A	157,988	-
							19,447	-
		93.279	Drug Abuse and Addiction Research Programs					
			DA038177				243,561	-
			DA053524				53,732	4,590
					Kaiser Foundation Research Institute	RNG200340-HFHS-01	14,546	-
					Kaiser Foundation Research Institute	RNG209779-HFHS-01	2,063	-
					Kaiser Foundation Research Institute	OOS030297-HFHS	11,871	-
					Kaiser Foundation Research Institute	RNG210120-HFHS-01	9,882	-
					Kaiser Permanente Washington Health Research Institute	2020111162	41,549	-
					Saint Louis University	1R01DA043811-01A1	274,060	-
					Yale School of Medicine	401655	269,042	-
		93.286	Discovery and Applied Research for Technological Innovations to Improve Human Health		Yale University	M17A12693	1	-
		93.307	Minority Health and Health Disparities Research		University of Pittsburgh	CNVA00041119 (124864-4)	3,592	-
		93.310	Trans-NIH Research Support					
			OD026550		Duke University	A03-3797	9,586,202	6,775,255
					Michigan State University	RC108889HFHS	44,032	-
					University of Michigan	SUBK00015639	96,510	-
					University of Wisconsin-Madison	000000323	3,570	-
					University of Wisconsin-Madison	000000913	(227)	-
					University of Wisconsin-Madison	0000001628	1,328,142	-
					University of Wisconsin-Madison	787K286	771,903	-
		93.393	Cancer Cause and Prevention Research					
			CA222146		Virginia Commonwealth University	5106263	501,806	53,902
							15,396	-
		93.394	Cancer Detection and Diagnosis Research					
			CA206190				(20,943)	-
			CA218596		Albert Einstein College of Medicine, Inc.	311224	477,851	78,831
							79,695	-

(Continued)



**HENRY FORD HEALTH SYSTEM**  
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<u>Agency</u>	<u>Sub Agency</u>	<u>ALN/Contract Number</u>	<u>Program Title</u>	<u>Federal Award Identification Number</u>	<u>Pass-Through Grantor</u>	<u>Pass-Through Grantor Identifying Number</u>	<u>Federal Expenditures</u>	<u>Expenditures Passed-through to Subrecipients</u>
Research and Development Cluster:								
		93.395	Cancer Treatment Research	CA219829 CA249188 CA198105	BioMimetix JV, LLC Johns Hopkins University NRG Oncology Foundation, Inc. Oregon Health & Sciences Center University of Michigan University of Michigan	BMX-MBM-001 UM1 CA137443 HFH - YR.1 1013080SWOGHENRYFORD SUBK00014840 SUBK00015387	\$ 437,622 346,140 213,274 20,391 37,425 2,160 399,713 12,461 49,984	\$ - - - - - - - - - -
		93.396	Cancer Biology Research	CA247516	Kaiser Foundation Research Institute University of Michigan University of Michigan	RNG209451-HFHS-02 SUBK00014844 SUBK00014845	399,990 478,311 12,461 10,988	- 9,797 - -
		93.U00	Federal Contracts in Cancer Research		National Institutes of Health National Institutes of Health National Institutes of Health National Institutes of Health National Institutes of Health National Institutes of Health National Marrow Donor Programs National Marrow Donor Programs NRG Oncology Foundation, Inc. NRG Oncology Foundation, Inc. NRG Oncology Foundation, Inc. Westat Westat	HHSN26100001 HHSN261201800020I HHSN261201800020I BR003 CALGB 80702 E1912 Protocol#0502 Protocol #1704 NCT02206334 NCT02032823 NCT00565851 6426-504 6426-03 5004	22,094 2,200,751 407,900 82 30 19 (42) 993 22,685 144,534 183 3,155 20,909	17,899 1,466,931 259,761 - - - - - - - - - -
		93.701	Trans-NIH Recovery Act Research Support		University of Michigan	30001413054-PNT	2,801	-
		93.837	Cardiovascular Diseases Research	HL116603 HL132154 HL136456 HL139877 HL143099 HL143432 HL148060	Massachusetts General Hospital Mayo Clinic Mayo Clinic New England Research Institutes, Inc. New England Research Institutes, Inc. Regents of the University of Minnesota University of Iowa University of Michigan University of Michigan Yale University National Institutes of Health	A5332 HEN-215432 HEN-215432-02 U01HL107407 A032731 N006187409 S00271-01 SUBK00009617 SUBK00012911 GR104847 HHSN268201700206A	1,248 587,439 (22,182) 256,163 636,727 526,852 4,182 5,411 6,762 2,714 3,038 1,126 3,056 28,718 10,766 598 1,822 818	- 8,655 - - - - - - - - - - - - -

(Continued)



**HENRY FORD HEALTH SYSTEM**

**Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2021**

<u>Agency</u>	<u>Sub Agency</u>	<u>ALN/Contract Number</u>	<u>Program Title</u>	<u>Federal Award Identification Number</u>	<u>Pass-Through Grantor</u>	<u>Pass-Through Grantor Identifying Number</u>	<u>Federal Expenditures</u>	<u>Expenditures Passed-through to Subrecipients</u>
Research and Development Cluster:								
		93.838	Lung Diseases Research	HL141845			\$ 729,035	\$ 144,525
					Fred Hutchinson Cancer Research Center	HL141845	596	-
					Oklahoma Medical Research Foundation	0001070326	20,876	-
					University of Michigan	0245-06HFHS	33,397	-
					University of Michigan	3003642706	20,869	-
					University of Michigan	SUBK00013684-005	43,053	-
					University of Michigan	SUBK00013488	94,440	-
					Global Coalition for Adaptive Research	SUBK00013859	1,906	-
					National Institutes of Health	Activ-4 Acute	16,786	-
					Transmural Systems, Inc.	HHSN268201700225A	818	-
		93.839	Blood Diseases and Resources Research		Duke University	2037978	127,185	-
					University of Pittsburgh	0054669 (131801-2)	1,300	-
		93.846	Arthritis, Musculoskeletal and Skin Diseases Research					
				AR051912			305,280	-
				AR069681			212,641	-
				AR072046			460,611	33,120
				AR072297			(21,177)	-
				AR072785			2,331	-
				AR075876			68,391	-
				AR076378			352,406	-
				AR076803			204,346	4,872
					University of California, San Francisco	12961sc	44,861	-
					University of Michigan	SUBK00010329	212,065	-
		93.847	Diabetes, Digestive, and Kidney Diseases Extramural Research					
				DK107263			267,093	-
				DK113003			490,407	-
				DK114471			(3,322)	-
				DK123192			12,866	-
				DK124377			478,325	-
					Case Western Reserve University	RES512213	(1)	-
					Case Western Reserve University	RES515396	222,923	-
					Cleveland Clinic Lerner College of Medicine of CWRU	1138-SUB	25,537	-
					Jaeb Center for Health Research Foundation, Inc.	1UC4DK108612	389,606	-
					University of Michigan	SUBK00008563	6,537	-
					University of Michigan	SUBK00011614	67,149	-
					University of Michigan	SUBK00012514	40,375	-
					University of Michigan	SUBK00015387	62,979	-
					University of Texas - M.D. Anderson Cancer Center	3001712867	120,544	-
					Wayne State University	WSU21047-A1	14,412	-

(Continued)



**HENRY FORD HEALTH SYSTEM**  
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<u>Agency</u>	<u>Sub Agency</u>	<u>ALN/Contract Number</u>	<u>Program Title</u>	<u>Federal Award Identification Number</u>	<u>Pass-Through Grantor</u>	<u>Pass-Through Grantor Identifying Number</u>	<u>Federal Expenditures</u>	<u>Expenditures Passed-through to Subrecipients</u>
Research and Development Cluster:								
		93.853	Extramural Research Programs in the Neurosciences and Neurological Disorders					
			NS088656				\$ (22,796)	\$ -
			NS092917				(29,813)	-
			NS097747				360,641	-
			NS100710				331,466	-
			NS102744				376,011	-
			NS104560				508	-
			NS108463				500,867	186,159
			NS109477				329,171	-
			NS111801				485,994	-
			NS112727				416,495	-
			NS114245				146,912	-
			NS114775				278,044	-
			NS108463				27,909	-
			NS114245				275,987	-
					Board of Trustees of the Leland Stanford Junior University	61865507-125439	25,394	-
					Greatlakes Neuroethologies Inc.	r43ns074627-01a1	18,535	-
					Mayo Clinic Jacksonville	HEN-187276-01	15,446	-
					Trustees of Boston University	4500003488	24,139	-
					University of Cincinnati	010785-137426	14,593	-
					University of Cincinnati	011266-137426	1,420	-
					University of Cincinnati	012043-137426	1,425	-
					University of Cincinnati	012043-137426	15	-
					University of Cincinnati	011337-137426	9,253	-
					University of Michigan	SUBK10400CSPR-002	10,484	-
					West Virginia University Research Corporation	16-538 HFHS	(20,700)	-
		93.855	Allergy, Immunology and Transplantation Research					
			AI089473				2,038,642	681,456
			AI110450				28,119	-
			AI119041				358,929	-
			AI144004				385,068	-
					Benaroya Research Institute at Virginia Mason	FY21ITN443	250,397	-
					Benaroya Research Institute at Virginia Mason	FY21ITN407	32,965	-
					Duke University	A304260, SPS-26113	31,742	-
					Institute of Clinical Research, Inc.	U01AI068641	338	-
					The Children's Hospital Corporation	GENFD0001914588	56,668	-
					The Johns Hopkins University	2004750563	98,763	-
					The Johns Hopkins University	2004750563	551,806	-
					University of Michigan	R01AI096962	40	-
					University of North Carolina at Chapel Hill	5115841	6,512	-
					University of Wisconsin-Madison	000000162	84	-
					University of Wisconsin-Madison	000000797	172,875	-
					University of Wisconsin-Madison	000001427	8,496	-
					Cerus Corporation	HHSO100201600009C	7,811	-
					Institute for Clinical Research, Inc.	M05-HF-014-0704-1	3,966	-
					Janssen Research & Development, LLC	ICD CONTRACT 1483584	24,605	-
					Janssen Vaccines & Prevention B.V..	VAC31518COV3001	1,577,947	44,550
					Summit (Oxford) Limited	SMT19969/C005	28,542	-
					University of Michigan	30044184954	79,000	-
					University of Michigan	SUBK00016735	95,227	-

(Continued)



**HENRY FORD HEALTH SYSTEM**  
**Schedule of Expenditures of Federal Awards**  
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<u>Agency</u>	<u>Sub Agency</u>	<u>ALN/Contract Number</u>	<u>Program Title</u>	<u>Federal Award Identification Number</u>	<u>Pass-Through Grantor</u>	<u>Pass-Through Grantor Identifying Number</u>	<u>Federal Expenditures</u>	<u>Expenditures Passed-through to Subrecipients</u>
<b>Research and Development Cluster:</b>								
		93.859	Biomedical Research and Research Training	GM128156			\$ 171,594	\$ -
		93.865	Child Health and Human Development Extramural Research	HD082147			275,814	27,547
					HealthPartners Institute	X1936300HFHS	32,803	-
					University of Michigan	3004563656	179,751	-
					University of North Carolina at Chapel Hill	5119419	27,496	-
		93.866	Aging Research	AG057494			904,152	26,051
				AG063750			368,054	-
				AG068072			227,651	-
					Trustees of Boston University	4500003556	46,732	-
					University of Michigan	SUBK00013261	785	-
		93.867	Vision Research					
					Jaeb Center of Health Research	U10 EY14231	1,715	-
					Pennsylvania State University	HFHEY023533	3,025	-
					University of Michigan	SUBK00011369	129,790	-
					Wayne State University	WSU17064	77,743	-
<b>Department of Veteran Affairs</b>								
	Department of Veteran Affairs	93.U00		36C257-19-Q-0289	PO# 674-D96003		4	-
				CSP#424	CSP#424		6,293	-
<b>National Aeronautics and Space Administration</b>								
		43.003	Exploration	NNX13AB42G			46,420	6,000
<b>National Science Foundation</b>								
		47.070	Computer and Information Science amd Engineering		Massachusetts Institute of Technology		(2,505)	-
<b>Total Research and Development Cluster</b>							<b>45,689,339</b>	<b>11,367,185</b>
<b>Supplemental Nutrition Assistance Program Cluster:</b>								
<b>Department of Agriculture</b>								
	Food and Nutrition Service	10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program					
					Michigan Fitness Foundation	SNAP-ED MI FY2014	(29)	-
					Michigan Fitness Foundation	SNAP-ED MI FY2016	(12)	-
					Michigan Fitness Foundation	SNAP-ED MI FY2018	(3,737)	-
					Michigan Fitness Foundation	SNAP-ED MI FY2019	2,424	-
					Michigan Fitness Foundation	SNAP-ED MI FY2020	(311)	-
					Michigan Fitness Foundation	SNAP-ED MI FY2021	448,740	-
					Michigan Fitness Foundation	SNAP-ED MI FY2022	141,129	-
<b>Total Supplemental Nutrition Assistance Program Cluster</b>							<b>588,204</b>	<b>-</b>

(Continued)



**HENRY FORD HEALTH SYSTEM**

**Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2021**

<u>Agency</u>	<u>Sub Agency</u>	<u>ALN/Contract Number</u>	<u>Program Title</u>	<u>Federal Award Identification Number</u>	<u>Pass-Through Grantor</u>	<u>Pass-Through Grantor Identifying Number</u>	<u>Federal Expenditures</u>	<u>Expenditures Passed-through to Subrecipients</u>
<b>Other Programs:</b>								
Department of Health and Human Services								
Administration for Children and Families								
		93.092	Affordable Care Act (ACA) Personal Responsibility Education Program		Michigan Department of Community Health	20212536-00	\$ 83,687	\$ -
					Michigan Department of Community Health	E20222673-00	25,686	-
Centers for Disease Control and Prevention								
		93.080	Blood Disorder Program: Prevention, Surveillance, and Research		Hemophilia Foundation of Michigan	CDC-19-20-424	2,070	-
					Hemophilia Foundation of Michigan	CDC 424 20-21	16,649	-
					Hemophilia Foundation of Michigan	CDC 424 21-22	3,670	-
		93.118	Acquired Immunodeficiency Syndrome (AIDS) Activity		The Johns Hopkins University	U64-CCU306802	95	-
		93.136	Injury Prevention and Control Research and State and Community Based Programs		Department of Health and Human Services	20214204-00	80,129	-
					Department of Health and Human Services	MPCA 2021-2022	26,212	-
					Department of Health and Human Services	20213167-00	232,219	-
		93.380	The CDC Public Health Cancer Genomics Program: Translating Research into Public Health Practice		Michigan Department of Community Health	20213632-00	1,457	-
					Michigan Department of Community Health	E20222133-00	448	-
		93.426	Improving the Health of Americans through Prevention and Management of Diabetes and Heart Disease and Stroke		Michigan Public Health Institute	I-79527-115-504200	1	-
		93.757	State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)		Greater Detroit Area Health Council Inc.	MI-1422	12,000	-
		93.917	HIV Care Formula Grants		Michigan Department of Community Health	E20224395-00	1,109	-
		93.940	HIV Prevention Activities_Health Department Based		Michigan Department of Community Health	20212693-00	155,368	-
					Michigan Department of Community Health	20212238-00	3,733	-
					Michigan Department of Community Health	E200221857-00	43,583	-
					Michigan Department of Community Health	E20222939-00	1,165	-
Centers For Medicare And Medicaid Services								
		93.624	Affordable Care Act (ACA) - State Innovation Models: Funding for Model Design and Model Testing Assistance		Michigan Department of Community Health	E20214154-001	169,917	-
					Center for Health and Research Transformation and MDHHS	G-1907-144922	517,125	-
		93.986	Medicare Access and CHIP Reauthorization Act (MACRA) Funding Opportunity: Measure Development for the Quality Payment Program		Regents of the University of California	123305C	20,000	-
Health Resources and Services Administration								
		93.110	Maternal and Child Health Federal Consolidated Programs		Hemophilia Foundation of Michigan	5-H30MC24047-09-00	7,678	-
					Hemophilia Foundation of Michigan	5-H30MC24047-10-00	9,540	-
		93.461	HRSA COVID-19 Claims Reimbursement for the Uninsured Program and the COVID-19 Coverage Assistance Fund				3,439,534	-
		93.498	COVID-19 Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution				376,711,548	-
		93.914	HIV Emergency Relief Project Grants		AIDS United	U69HA310670400	43,155	-
					City of Detroit Health Department	Ryan White - Early Intervention	276,283	-
					City of Detroit Health Department	Ryan White - Primary Care	529,248	-
					City of Detroit Health Department	Ryan White- Minority Aids Initiative	96,936	-
					City of Detroit Health Department	Ryan White- Minority Aids Initiative Early Intervention	132,326	-
		93.914	COVID-19 HIV Emergency Relief Project Grants		City of Detroit Health Department	Ending the Epidemic: A Plan for America - Ryan White HIV/AIDS Program Parts Part A	10,016	-
					City of Detroit Health Department	Ryan White HIV/AIDS Program Part A COVID-19 Response	120,884	-

(Continued)



**HENRY FORD HEALTH SYSTEM**

**Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2021**

<u>Agency</u>	<u>Sub Agency</u>	<u>ALN/Contract Number</u>	<u>Program Title</u>	<u>Federal Award Identification Number</u>	<u>Pass-Through Grantor</u>	<u>Pass-Through Grantor Identifying Number</u>	<u>Federal Expenditures</u>	<u>Expenditures Passed-through Subrecipients</u>
<b>Other Programs:</b>								
	Office of the Secretary							
		93.003	Public Health and Social Services Emergency Fund					
					Region 2 South Medical Bio-Defense Network	Region 2 South	\$ (1,519)	-
					Region 2 South Medical Bio-Defense Network	Region 2 South	511,895	-
		93.889	National Bioterrorism Hospital Preparedness Program					
					Region 2 North Medical Bio-Defense Network	Region 2 North	15,219	-
	Substance Abuse and Mental Health Services Administration							
		93.243	Substance Abuse and Mental Health Services - Projects of Regional and National Significance					
			SM083419				286,395	-
			HSM084912				35,164	-
			HSM083419				87,943	-
			H795P082488				63,616	-
Department of Homeland Security								
	Federal Emergency Management Agency							
		97.036 - Covid-19	Covid-19 Disaster Grants - Public Assistance (Presidentially Declared Disasters)				3,336,706	-
Department of Treasury								
	Department of Treasury							
		21.019 - Covid-19	Covid-19 Coronavirus Relief Funds					
			Covid-19		Michigan Department of Community Health	E20214079-01	(2,753)	-
			Covid-19		Michigan Primary Care Association	SLT0040 & SLT0247	8,656	-
			Covid-19		Michigan Public Health Institute	Q-80041-115-504201	220,367	-
			Covid-19		Region 2 South	Region 2 South	38,730	-
			Covid-19		Michigan Hospital Association		245,846	-
<b>Total Other Programs</b>							<u>387,619,736</u>	<u>-</u>
<b>Total All Programs</b>							<u>\$ 433,897,279</u>	<u>\$ 11,367,185</u>

(Concluded)



## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2021

### 1. BASIS OF ACCOUNTING

The schedule of expenditures of federal awards is presented on the same basis of accounting used for presentation of Henry Ford Health System's (the "System") basic consolidated financial statements, which is in accordance with accounting principles generally accepted in the United States of America.

The schedule of expenditures of federal awards 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)*, and includes all the System's expenditures charged to federal programs. The schedule summarizes expenditures by:

- Primary federal funding agency
- Programs as defined by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*
- Direct award agreements with federal granting agencies

The schedule of expenditures of federal awards includes negative amounts, which represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

### 2. PROGRAMS

The System's programs are primarily research and development and Provider Relief Funds.

Research and development programs include those awards that are for basic and applied research and development activities. Title 2 U.S. Code of Federal Regulations Part 200 defines research and development as follows: research is a systematic study directed toward fuller scientific knowledge or understanding of the subject studied; and development is the systematic use of knowledge and understanding gained from research directed toward the production of useful materials, devices, systems, or methods, including design and development of prototypes and processes.

Indirect Costs—The System uses indirect cost rates when determining federal awards expended for research, as approved by the United States Department of Health and Human Services. For other federal awards, to the extent indirect costs are allowable, the System elects to use the de minimis indirect cost rate allowed under the Uniform Guidance.

### 3. DONATED PERSONAL PROTECTIVE EQUIPMENT (UNAUDITED)

For the year ended December 31, 2021, the fair value of donated personal protective equipment received by the System was \$0 and was not included in the consolidated schedule of expenditures of federal awards.

#### 4. Provider Relief Funds

The Provider Relief Funds included in the consolidated schedule of expenditures of federal awards were received by the following entities (legal name and tax identification number):

Legal Entity Name	Tax Identification Number
Henry Ford Health System	38-1357020
Henry Ford OptimEyes	38-3322462
Henry Ford Pathology	41-2223561
Henry Ford West Bloomfield Physicians	47-2146687
Henry Ford West Bloomfield Hospital	26-3896897
Henry Ford Macomb Hospital	38-2947657
Henry Ford Macomb Ancillary Services	47-3293378
W.A. Foote Memorial Hospital d/b/a Henry Ford Allegiance Health	38-2027689
Henry Ford Allegiance Carelink	38-1218485
Henry Ford Allegiance Hospice	38-2336367
Henry Ford Wyandotte Hospital	38-2791823
Northwest Detroit Dialysis	38-3232668
Macomb Regional Dialysis	26-0423581

**PART I—SUMMARY OF AUDITOR’S RESULTS**

<b>Financial Statements</b>		
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	<u> X </u> no
Significant deficiency(ies) identified?	___ yes	<u> X </u> none reported
Noncompliance material to financial statements noted?	___ yes	<u> X </u> no
<b>Federal Awards</b>		
Internal control over major federal programs:		
Material weakness(es) identified?	___ yes	<u> X </u> no
Significant deficiency(ies) identified?	___ yes	<u> X </u> none reported
Type of auditor's report issued on compliance for major federal programs	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) ?	___ yes	<u> X </u> no
Identification of major federal programs:		
Name of Federal Program or Cluster	Assistance Listing Number	
COVID-19 Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	93.498	
HRSA COVID-19 Claims Reimbursement for the Uninsured Program and the COVID-19 Coverage Assistance Fund	93.461	
Dollar threshold used to distinguish between Type A and Type B programs:	\$3,000,000	
Auditee qualified as low-risk auditee?	<u> X </u> yes	___ no

**PART II—FINANCIAL STATEMENT FINDINGS SECTION**

No matters are reportable.

**PART III—FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION**

No matters are reportable.

**Summary Schedule of Prior-Year Audit Findings for the Year Ended December 31, 2020**

No matters are reportable.



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