FRANCISCAN MISSIONARIES OF OUR LADY HEALTH SYSTEM, INC. AND AFFILIATED ORGANIZATIONS

Consolidated Financial Statements

June 30, 2021 and 2020

(With Independent Auditors' Report Thereon)

FRANCISCAN MISSIONARIES OF OUR LADY HEALTH SYSTEM, INC. AND AFFILIATED ORGANIZATIONS

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KPMG LLP
Suite 2150
301 Main Street
Baton Rouge, LA 70801

Independent Auditors' Report

The Board of Trustees
Franciscan Missionaries of Our Lady Health System, Inc.:

We have audited the accompanying consolidated financial statements of Franciscan Missionaries of Our Lady Health System, Inc. and affiliated organizations (the System), which comprise the consolidated balance sheets as of June 30, 2021 and 2020, and the related consolidated statements of operations and changes in net assets without donor restrictions, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Franciscan Missionaries of Our Lady Health System, Inc. and affiliated organizations as of June 30, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 1(x) to the consolidated financial statements, in fiscal year 2021, the System adopted new accounting guidance in connection with its implementation of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842). Our opinion is not modified with respect to this matter.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information included in schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The accompanying supplementary information included in schedule 4 supplementary schedule of financial responsibility data as of and for the year ended June 30, 2021, is presented for purposes of additional analysis, as required by the Department of Education, 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 supplementary information included in schedules 1 through 3 and the supplementary schedule of financial responsibility data is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2021 on our consideration of Franciscan Missionaries of Our Lady Health System, Inc. and affiliated organization'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 controls over financial reporting and compliance and the results of that testing, and not provide an opinion on the effectiveness of Franciscan Missionaries of Our Lady Health System, Inc. and affiliated organization'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 Franciscan Missionaries of Our Lady Health System, Inc. and affiliated organization's internal control over financial reporting and compliance.

KPMG LLP

Baton Rouge, Louisiana
October 26, 2021

FRANCISCAN MISSIONARIES OF OUR LADY HEALTH SYSTEM, INC. AND AFFILIATED ORGANIZATIONS

Consolidated Balance Sheets

June 30, 2021 and 2020

(In thousands)

Assets		**2021**	**2020**
Current assets:			
Cash and cash equivalents	$	1,105,141	839,694
Short-term investments		22,480	22,407
Net patient accounts receivables		270,784	248,065
Other current assets		220,135	192,234
Total current assets		1,618,540	1,302,400
Assets limited as to use, net of current portion		1,545,942	1,189,420
Property and equipment, net		1,713,973	1,647,286
Other assets		218,773	216,895
Total assets	$	5,097,228	4,356,001
Liabilities and Net Assets			
Current liabilities:			
Lines of credit	$	7,300	—
Current installments of long-term debt		8,333	21,164
Current portion of lease liabilities		18,042	3,120
Accounts payable		189,225	168,371
Other current liabilities		504,452	592,729
Total current liabilities		727,352	785,384
Professional and general liabilities, excluding current portion		62,471	58,823
Long-term debt, excluding current installments		934,625	912,686
Lease liabilities, excluding current portion		74,645	10,564
Accrued pension cost		530,541	718,110
Other long-term liabilities		204,384	129,272
Total liabilities		2,534,018	2,614,839
Net assets:			
Without donor restrictions		2,487,434	1,653,659
With donor restrictions		54,536	56,498
Total net assets attributable to Franciscan Missionaries of Our Lady Health System, Inc.		2,541,970	1,710,157
Noncontrolling interests		21,240	31,005
Total net assets		2,563,210	1,741,162
Total liabilities and net assets	$	5,097,228	4,356,001

See accompanying notes to consolidated financial statements.

FRANCISCAN MISSIONARIES OF OUR LADY HEALTH SYSTEM, INC. AND AFFILIATED ORGANIZATIONS

Consolidated Statements of Operations and Changes in Net Assets Without Donor Restrictions

Years ended June 30, 2021 and 2020

(In thousands)

		2021	2020
Changes in net assets without donor restrictions			
Operating revenues:			
Net patient service revenue	$	2,921,623	2,740,213
Other revenue		405,868	239,261
Equity in income from equity investees, net		15,038	16,364
Total operating revenues		3,342,529	2,995,838
Net assets released from restrictions used for operations:			
Satisfaction of program restrictions		5,088	11,321
Expiration of time restrictions		235	220
Total net assets released from restrictions used for operations		5,323	11,541
Total operating revenues and other support		3,347,852	3,007,379
Operating expenses:			
Salaries and wages		1,258,543	1,144,883
Employee benefits		211,088	240,511
Total salaries, wages, and employee benefits		1,469,631	1,385,394
Physician fees		159,350	151,145
Professional services		21,652	26,176
Other services		479,814	484,175
Leases, insurance, and utilities		103,494	103,179
Supplies		664,031	604,389
Depreciation and amortization		151,942	153,025
Interest		35,579	37,544
Other		3,786	3,747
Total operating expenses		3,089,279	2,948,774
Operating income before impairment and gain on sale		258,573	58,605
Impairment		(6,012)	(14,473)
Gain on sale		71,242	—
Operating income		323,803	44,132

(Continued)

FRANCISCAN MISSIONARIES OF OUR LADY HEALTH SYSTEM, INC. AND AFFILIATED ORGANIZATIONS

Consolidated Statements of Operations and Changes in Net Assets Without Donor Restrictions

Years ended June 30, 2021 and 2020

(In thousands)

		2021	2020
Nonoperating gains:			
Investment return	$	339,213	17,486
Inherent contribution		—	353,239
Other		(6,559)	(328)
Change in fair value of interest rate swap agreements		1,774	(853)
Total nonoperating gains, net		334,428	369,544
Revenues, gains, and other support in excess of expenses and losses before noncontrolling interest		658,231	413,676
Noncontrolling interests		(2,296)	4,505
Revenues, gains, and other support in excess of expenses and losses attributable to Franciscan Missionaries of Our Lady Health System, Inc.		655,935	418,181
Pension-related changes other than net periodic pension cost		151,329	(125,608)
Released from restrictions for capital		13,295	38,939
Capital transfers		(5,541)	(13,904)
Contributions for capital		18,757	—
Increase in net assets without donor restrictions	$	833,775	317,608

See accompanying notes to consolidated financial statements.

FRANCISCAN MISSIONARIES OF OUR LADY HEALTH SYSTEM, INC. AND AFFILIATED ORGANIZATIONS

Consolidated Statements of Changes in Net Assets

Years ended June 30, 2021 and 2020

(In thousands)

		2021	2020
Changes in net assets without donor restrictions:			
Revenues, gains, and other support in excess of expenses and losses attributable to Franciscan Missionaries of Our Lady Health System, Inc.	$	655,935	418,181
Pension-related changes other than net periodic pension cost		151,329	(125,608)
Released from restrictions for capital		13,295	38,939
Capital transfers		(5,541)	(13,904)
Contributions for capital		18,757	—
Increase in assets without donor restrictions		833,775	317,608
Changes in net assets with donor restrictions:			
Contributions		16,654	13,772
Income from long-term investments, net		2	110
Acquired net assets		—	16,161
Net assets released from restrictions		(18,618)	(50,480)
Decrease in net assets with donor restrictions		(1,962)	(20,437)
Changes in noncontrolling interests:			
Revenues, gains, and other support in excess of expenses and losses		2,297	(4,505)
Distributions		(2,389)	(3,731)
Acquired non-controlling interest		(9,683)	1,048
Other		10	(91)
Decrease in noncontrolling interests		(9,765)	(7,279)
Increase in net assets		822,048	289,892
Net assets, beginning of year		1,741,162	1,451,270
Net assets, end of year	$	2,563,210	1,741,162

See accompanying notes to consolidated financial statements.

FRANCISCAN MISSIONARIES OF OUR LADY HEALTH SYSTEM, INC. AND AFFILIATED ORGANIZATIONS

Consolidated Statements of Cash Flows

Years ended June 30, 2021 and 2020

(In thousands)

		2021	2020
Cash flows from operating activities:			
Increase in net assets	$	822,048	289,892
Adjustments to reconcile increase in net assets to net cash provided by operating activities:			
Depreciation and amortization		151,942	153,025
Inherent contribution		—	(353,239)
Acquired assets with donor restrictions		—	(16,161)
Impairment		6,012	14,473
Loss on sale or disposal of assets, net		376	707
Gain on sale		(71,242)	—
Net realized and unrealized losses (gains) on assets limited as to use and investment securities		(346,914)	4,763
Income from equity investees		(15,038)	(16,364)
Change in value of interest rate swap agreements		(1,774)	853
Restricted contributions for capital projects		(3,166)	(5,393)
Amortization included in interest rates		(3,458)	289
Pension-related changes other than net periodic pension cost		(151,329)	125,608
Acquired of noncontrolling interest		9,683	11,952
Distributions to noncontrolling interest		(2,389)	3,731
Return of income from equity investees		16,238	14,033
Contributions for capital		(18,757)	
Changes in operating assets and liabilities, net of acquisitions:			
Receivables		(22,450)	11,530
Inventories		80	(17,930)
Prepaid expenses and other assets		(18,270)	3,947
Accounts payable, accrued expenses, and other liabilities		(36,461)	341,834
Professional and general liabilities		3,648	10,947
Net cash provided by operating activities	$	318,779	578,497

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FRANCISCAN MISSIONARIES OF OUR LADY HEALTH SYSTEM, INC. AND AFFILIATED ORGANIZATIONS

Consolidated Statements of Cash Flows

Years ended June 30, 2021 and 2020

(In thousands)

		2021	2020
Cash flows from investing activities:			
Capital expenditures	$	(135,687)	(185,410)
Purchases of assets limited as to use		(362,805)	(271,839)
Sales of assets limited as to use		410,884	280,784
Sale of equity method investment		753	6,847
Proceeds from sale of assets		71,998	—
Cash paid for acquisitions, net of cash acquired		—	33,455
Net cash used in investing activities		(14,857)	(136,163)
Cash flows from financing activities:			
Repayment of long-term debt		(194,545)	(101,631)
Repayment of finance lease obligations, net		(4,425)	(1,062)
Proceeds from issuance of long-term debt		211,955	256,136
Proceeds from line of credit		7,300	20,000
Payments on line of credit		—	(30,562)
Payments for termination of interest rate swap		(7,570)	—
Acquired controlling interest		(9,683)	(13,000)
Bond issuance costs		(1,699)	(1,675)
Restricted contributions for capital projects		3,166	5,393
Distributions to noncontrolling interest		2,389	(3,731)
Net cash (used in) provided by financing activities		6,888	129,868
Increase in cash and cash equivalents and restricted cash		310,810	572,202
Cash, cash equivalents, and restricted cash, beginning of year		948,135	375,933
Cash, cash equivalents, and restricted cash, end of year	$	1,258,945	948,135
Supplemental noncash disclosures:			
Accounts payable for capital expenditures projects	$	(2,174)	(3,195)
Long-term debt for property and equipment		—	7,405
Interest paid		37,163	36,966
Right-of-use asset and exchange for lease obligation		67,210	—
Assets acquired with a financing lease		32,079	—

See accompanying notes to consolidated financial statements.

(1) Organization and Summary of Significant Accounting Policies

Franciscan Missionaries of Our Lady Health System, Inc. (FMOLHS or the System) is a not-for-profit, nonstock membership corporation and is a wholly owned subsidiary of Franciscan Missionaries of Our Lady (FMOL) in Baton Rouge, Louisiana. The members of FMOL are the provincial and the members of the Council of the Franciscan Missionaries of Our Lady – North American Province. FMOLHS is the sole member and has sole voting control of six medical centers and their affiliates (the FMOLHS Affiliates). All of these entities are not-for-profit, nonstock membership corporations. The medical centers are as follows:

- Our Lady of the Lake Hospital, Inc. d/b/a Our Lady of the Lake Regional Medical Center (the Lake) – Baton Rouge, Louisiana and Our Lady of the Lake Ascension Community Hospital in Gonzales, Louisiana
- Our Lady of Lourdes Regional Medical Center, Inc. (Lourdes) – Lafayette, Louisiana
- St. Francis Medical Center, Inc. (St. Francis) – Monroe, Louisiana
- Our Lady of the Angels Hospital, Inc. (Angels) – Bogalusa, Louisiana
- St. Dominic Health Services, Inc. (St. Dominic) – Jackson, Mississippi
- The FMOLHS Affiliates participate together in a captive insurance company, Louise Insurance Co., Ltd. (Louise), which is wholly owned by FMOLHS (note 20). FMOLHS also has ownership interest in other entities providing services to meet its mission.

The significant accounting policies used by FMOLHS in preparing and presenting its consolidated financial statements are as follows:

(a) Basis of Presentation

These consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles

(b) Principles of Consolidation

The consolidated financial statements include the accounts of FMOLHS, its wholly owned subsidiaries, and the FMOLHS Affiliates. All significant intercompany balances and transactions have been eliminated in consolidation. Third-party equity interest in the consolidated subsidiaries and affiliates are reflected as noncontrolling interest in FMOLHS's consolidated financial statements. For subsidiaries in which FMOLHS does not have a controlling interest, FMOLHS records such investments under the equity method of accounting.

(c) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(In thousands)

Significant items subject to such estimates and assumptions include the determination of the allowances for implicit price concessions and explicit price concessions (contractual adjustments), revenue recognized under the CARES Act, assumptions related to assets acquired and liabilities assumed, reserves for general and professional liability claims, reserves for workers' compensation claims, reserves for employee healthcare claims, estimated third-party payor settlements, certain investments in alternative funds, valuation of derivatives, lease liabilities and the actuarially determined benefit liability related to FMOLHS Affiliates' pension plans and postretirement health plans. In addition, laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates related to these programs will change by a material amount in the near term.

(d) Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less when purchased, excluding amounts included in assets limited as to use.

FMOLHS maintains bank accounts at various financial institutions covered by Federal Depository Insurance Corporation (FDIC). FMOLHS may maintain bank account balances in excess of the FDIC-insured limit. FMOLHS believes it is not exposed to any significant credit risk related to cash and cash equivalents.

Cash and restricted cash as shown on the consolidated statement of cash flows consist of the following:

		2021	2020
Balance sheet caption:			
Cash	$	1,105,141	839,694
Short-term investments (see note 3)		16,345	19,707
Assets limited as to use (see note 3)		137,459	88,734
Total	$	1,258,945	948,135

(e) Investments and Investment Return

Investments in equity securities with readily determinable fair values and all investments in debt securities, except for investments in the common stock of equity investees accounted for using the equity method, are recorded at fair value. The estimated fair value of these investments is based on quoted market prices.

FMOLHS also invests in alternative investments such as hedge funds, private equity funds, and commingled funds. When FMOLHS's alternative investments represents investments organized as corporations, or trusts with legal structures similar to a corporation, with ownership less than 20%, and transacts frequently (at least quarterly), FMOLHS accounts for these investments at fair value or net

(Continued)

asset value (NAV) as a practical expedient to fair value. Net asset value is based on the fair value of the underlying investments. When FMOLHS's alternative investments represents investments organized as limited partnerships or limited liability companies with specific ownership accounts or trusts with legal structures similar to a partnership, FMOLHS accounts for these investments using the equity method, which generally approximates NAV.

The NAV for alternative investments for which quoted market prices are not available is based on the most recent valuations provided by the external investment managers, adjusted for receipts and disbursements through June 30. FMOLHS reviews and evaluates the values provided by the managers and agrees with the valuation methods and assumptions used to determine those values. Therefore, FMOLHS believes the carrying amount of these financial instruments is a reasonable estimate of fair value. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed.

Dividend, interest and other income, realized and unrealized gains and losses on investments recorded at fair value, alternative investments recorded at NAV, and changes in the carrying value of alternative investments recorded on the equity method, are included as revenues, gains, and other support in excess of expenses and losses in the consolidated statements of operations and changes in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or law. Donated investments are recorded at fair value at the date of receipt.

(f) Inventories and Supplies

Inventories and supplies, consisting primarily of medical supplies and pharmaceuticals, are stated at the lower of cost (average-cost method) or net realizable value and are included in other current assets in the accompanying consolidated balance sheets.

(g) Assets Limited as to Use

Assets limited as to use include the following:

- Assets set aside by the board of directors for future capital acquisitions, capital improvements, and debt service, over which the board of directors retains control and may at its discretion subsequently use for other purposes
- Assets held by trustees under indenture agreements, self-insurance trust arrangements, and terms of donor restrictions
- Assets set aside subject to donor-imposed stipulations

Amounts required to satisfy current requirements for the payment of current construction costs and debt service costs are classified as other current assets in the accompanying consolidated balance sheets.

(Continued)

(h) Components of Net Assets

Net assets, revenues, and other support and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of FMOLHS and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations that are available for use either by the passage of time or for specific purposes; certain of these net assets are subject to donor-imposed stipulations that they be maintained permanently by FMOLHS. Generally, the donors of these assets permit FMOLHS to use all or part of the income earned on related investment for general or specific purposes.

Revenue is reported as increases in net assets without donor restrictions, unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications from net assets with donor restrictions to net assets without donor restrictions. Donor-restricted contributions, whose restrictions are met in the same reporting period as the contributions are recorded, are reported as increases in net assets without donor restrictions.

(i) Property and Equipment

Property and equipment, including leasehold improvements, are stated at cost upon acquisition or fair value if donated. Depreciation is computed primarily on the straight-line method based upon the shorter of the estimated useful lives of the assets or the lease term.

FMOLHS capitalizes costs associated with the acquisition or development of major software for internal use in other assets in the consolidated balance sheets and amortizes the assets over the expected life of the software, generally between three and seven years. FMOLHS only capitalizes subsequent additions, modifications, or upgrades to internal-use software to the extent that such changes allow the software to perform a task it previously did not perform. FMOLHS expenses software maintenance and training costs as incurred.

FMOLHS evaluates cloud computing arrangements to determine whether the arrangement includes a software license or is a service contract. If determined to be a software license, then FMOLHS capitalizes the arrangement as another asset and amortizes it over the expected life of the software license, generally between three and five years. If determined to be a service contract, then FMOLHS expenses the cost of the arrangement as the services are provided.

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(j) Leases

FMOLHS is the lessee with several noncancellable contracts that include (1) operating leases, primarily for office space, and (2) finance leases, for certain equipment and IT equipment.

FMOLHS accounts for leases in accordance with ASU 2016-02, *Leases (Topic 842)* (see notes 1(x) and 21), which introduced a right-of-use (ROU) model that requires all leases, other than short-term leases with a maximum possible term of one year or less, on their balance sheet. FMOLHS recognizes a ROU asset and a lease liability at the lease commencement date.

For operating leases, the lease liability is initially and subsequently measured at the present value of the unpaid lease payments at the lease commencement date. For finance leases, the lease liability is initially measured in the same manner and date as for operating leases and is subsequently measured at amortized cost using the effective-interest method.

FMOLHS uses key estimates and judgements to determine (1) the discount rate it uses to discount the unpaid lease payments to present value, (2) lease term, and (3) lease payments.

The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for lease payments made at or before the lease commencement date, plus any initial direct costs incurred less any lease incentives received.

For operating leases, the ROU asset is subsequently measured throughout the lease term at the carrying amount of the lease liability, plus initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received. Lease expense for lease payments is recognized on a straight-line basis over the lease term. For finance leases, the ROU asset is subsequently amortized using the straight-line method from the lease commencement date to the earlier of the end of its useful life or the end of the lease term unless the lease transfers ownership of the underlying asset to FMOLHS or FMOLHS is reasonably certain to exercise an option to purchase the underlying asset.

ROU assets for operating and finance leases are periodically reduced by impairment losses. FMOLHS uses the long-lived assets impaired guidance in in ASC Topic 360-10, *Property, Plant, and Equipment – Overall*, to determine whether an ROU asset is impaired, and if so, the amount of the impairment loss to recognize. See note 1(n).

FMOLHS monitors for events or changes in circumstances that require a reassessment of one or its leases. When a reassessment results in the remeasurement of a lease liability, a corresponding adjustment is made to the carrying amount of the corresponding ROU asset unless doing so would reduce the carrying amount of the ROU asset to an amount less than zero. In that case, the amount of the adjustment that would result in a negative ROU asset balance is recorded in profit or loss.

ROU assets are presented in property and equipment. The current portion of lease liabilities is presented separately as current portion of lease liabilities and the long-term portion is presented separately as lease liabilities, excluding current portion on the consolidated balance sheet.

(k) Business Combination

FMOLHS accounts for business combinations using the acquisition method. The assets acquired and liabilities assumed are measured at fair value on the acquisition date using appropriate valuation methods. The residual purchase price is recorded as cost in excess of net assets acquired. An inherent contribution is recognized when the fair value of the assets and liabilities assumed exceeds the purchase price. The operations of the acquisitions are included in the consolidated financial statements from their respective dates of acquisition.

(l) Cost in Excess of Net Assets Acquired

Cost in excess of net assets acquired, or goodwill, included in other assets, is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. Cost in excess of net assets acquired is reviewed for impairment at least annually. FMOLHS applies the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 350, *Intangibles – Goodwill and Other*, which provides an entity the option to perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount prior to performing the two-step goodwill impairment test.

FMOLHS performs its annual impairment review of cost in excess of net assets acquired at June 30, and when a triggering event occurs between annual impairment tests. In 2021, the System recorded an impairment of $600, related to one of its Lake subsidiaries, due to the carrying amount of cost in excess of net assets acquired exceeding its estimated fair value, based on market value. In 2020, the System recorded an impairment of $14,473, related to one of its Lake subsidiaries, due to the carrying amount of cost in excess of net assets acquired exceeding its estimated fair value, based on market value.

(m) Capitalization of Interest

FMOLHS capitalizes the interest costs of borrowings, net of related investment income on the unexpended funds, during the construction period of major projects as a component of the asset. Net interest expense capitalized was $443 and $808 for the years ended June 30, 2021 and 2020, respectively.

(n) Impairment of Long-lived Assets

Long-lived assets, such as property and equipment and equity method investments, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset to be tested for possible impairment, FMOLHS first compares the undiscounted future cash flows expected to be generated by the assets to its carrying value. If the carrying amount of the long-lived asset is not recoverable on an undiscounted cash flow basis, an impairment charge is recognized to the extent the carrying amount of the asset exceeds its fair value. Fair value is determined through various valuation techniques, including discounted cash flow models, quoted market values, and third-party appraisals, as considered necessary. The System recorded an impairment of $5,412 due to the sale of a building held by St. Francis Medical Center in 2021 and no impairment in 2020.

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Assets to be disposed of are separately presented in the accompanying consolidated balance sheets and reported at the lower of carrying amount or fair value less costs to sell, and are no longer depreciated. Assets to be disposed of were immaterial at June 30, 2021 and 2020.

(o) Cost of Issuances

Bond issuance costs are presented as a direct deduction from the carrying value of debt in the accompanying consolidated financial statements. Premiums, discounts, costs of letters of credit, and standby purchase agreements are being amortized over the terms of the related bond issues using a method that approximates the effective-interest method. Accumulated amortization was approximately $8,914 and $8,513 at June 30, 2021 and 2020, respectively.

(p) Estimated Workers' Compensation, Professional Liability, and Employee Health Claims

The provisions for estimated workers' compensation, professional liability, and employee health claims include estimates of the ultimate costs for both reported claims and claims incurred but not reported. These estimates incorporate FMOLHS's past experience, as well as other considerations, including the nature of claims, industry data, relevant trends, and/or the use of actuarial information.

(q) Consolidated Statements of Operations and Changes in Net Assets without Donor Restrictions

Transactions deemed to be ongoing, major, or central to the provision of healthcare services are reported as operating revenues and expenses. Peripheral or incidental transactions are reported as nonoperating gains and losses. Investment return, consisting of dividends and interest earned on investments, as well as realized and unrealized gains and losses on the investment portfolio, the change in value of interest rate swap agreement, and inherent contribution from business combinations are reported as nonoperating gains or losses.

The consolidated statements of operations and changes in net assets without donor restrictions include revenues, gains, and other support in excess of expenses and losses, which is an indicator of financial performance. Changes in net assets without donor restrictions which are excluded from revenues, gains, and other support in excess of expenses and losses include permanent transfers of assets to and from affiliates for other than goods and services, pension-related changes other than the service cost component, curtailment gains (loss) of pension plans and postretirement, and contributions of long-lived assets (including assets acquired using contributions that by donor restriction were to be used for the purpose of acquiring such assets).

(r) Net Patient Service Revenue and Patient Accounts Receivable

Net patient service revenue is reported at the amount that reflects the consideration to which the System expects to be entitled for providing patient care. These amounts are due from patients, third-party payors, and others and include variable consideration for retroactive revenue adjustments due to settlements of audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to audits, review, and investigations. Generally, the System bills the patients and third-party payors several days after the services are performed or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the System. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The System believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients receiving inpatient acute care services or patients receiving services in outpatient centers. The System measures the performance obligation from admission into the hospital to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge or completion of outpatient services. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to the System's patients and customers in a retail setting as a component of other revenue in the accompanying consolidated statements of operations and changes in net assets without donor restrictions and the System does not believe it is required to provide additional goods or services related to that sale.

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

The System is utilizing the portfolio approach practical expedient in ASC 606, *Revenue From Contracts With Customers*, for contracts related to net patient service revenue. The System accounts for the contracts within each portfolio as a collective group, rather than individual contracts, based on the payment patterns expected in each portfolio category and the similar nature and characteristics of the patients within each portfolio. The portfolios consist of major payor classes for inpatient revenue and outpatient revenue. Based on historical collection trends and other analyses, the System has concluded that revenue for a given portfolio would not be materially different than if accounting for revenue on a contract-by-contract basis.

The System has agreements with third-party payors that generally provide for payments to the System at amounts different from its established rates. For uninsured patients who do not qualify for charity care, the System recognizes revenue based on established rates, subject to certain discounts and implicit price concessions as determined by the System.

The System determines the transaction price based on standard charges for goods and services provided, reduced by explicit price concessions provided to third-party payors, discounts provided to uninsured patients in accordance with the System's policy, and implicit price concessions provided to uninsured patients. Explicit price concessions are based on contractual agreements, discount policies and historical experience. Implicit price concessions represent differences between amounts billed and the estimated consideration the System expects to receive from patients, which are determined based on historical collection experience, current market conditions, and other factors.

Consistent with the System's mission, care is provided to patients regardless of their ability to pay. Therefore, the System has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances (e.g., co-pays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the System expects to collect based on its collection history with those patients.

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations 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 adjustments become known (i.e., as new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The System also provides services to uninsured patients and offers those uninsured patients a discount, either by policy or law, from standard charges. The System estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions.

Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. For the years ended June 30, 2021 and 2020, additional revenue of $22,383 and $12,667, respectively, was recognized due to changes in its estimates of implicit price concessions, discounts, and contractual adjustments for performance obligations satisfied in prior years. The additional revenue primarily represents patient account recoveries that were previously written off as uncollectible. 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.

The System owns and operates a continuing care retirement community. These contractual arrangements require payment in advance for goods and services to be provided. For the years ended June 30, 2021 and 2020, the associated contract liabilities for such collections in advance were $28,522 and $29,195 are reported in other long-term liabilities on the consolidated balance sheet. Revenue for the continuing care retirement community is recognized over the estimated remaining life expectancy of the residents, which is actuarially determined.

(s) Coronavirus Aid, Relief, and Economic Security CARES Act Provider Relief Funding

On March 13, 2020, COVID-19 was designated a national emergency in the United States. The System activated the COVID-19 Task Force on March 4, 2020 to provide system wide coordination for the pandemic and was represented by physician leadership, nursing leadership, human resources, and supply chain. The first case of COVID-19 in Louisiana was confirmed on March 9, 2020, with the state of Mississippi seeing its first case on March 11, 2020, and FMOLHS admitted its first confirmed COVID-19 positive patient on March 18, 2020. As the number of hospitalized COVID-19 patients improved, the Louisiana and Mississippi Departments of Health revised its order to allow some surgical procedures to be performed to allow treatment of time-sensitive conditions and to avoid harm from underlying conditions. Physician leadership developed an algorithm for safe management of patient requiring surgery to assure best practice throughout the System. On May 15, 2020, the Governor of Louisiana removed the Stay-at-Home order that had been issued on March 22, 2020 and implemented plans to reopen the state moving to Phase 1. Mississippi also removed its Shelter-in-Place order on May 11, 2020, after its postponement of nonessential procedures order issued on March 19, 2020. FMOLHS has resumed all surgical services, even with the surge of COVID-19 patients in June 2020, and has adequate surge capacity and Personal Protective Equipment (PPE) to meet governmental requirements and the healthcare demand of our communities.

(i) CARES Act – Provider Relief Funds

During the years ended June 30, 2021 and 2020, the System received approximately $105,159 and $120,030, respectively, in general and targeted distributions from the CARES Act Provider Relief Funds. These distributions from the Provider Relief Funds are not subject to repayment, provided the System is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by the Department of Health and Human Services (HHS).

The System is accounting for such payments as conditional contributions. These payments are recognized as operating revenue once the applicable terms and conditions required to retain the funds have been met and completion of the measurement period. Based on an analysis of the compliance and reporting requirements of the Provider Relief Funds and the effect of the pandemic on the System operating revenues and expenses for the years ended June 30, 2021 and 2020, the System recognized $149,725 and $75,464, respectively, as grant income. Approximately $44,566 was recorded as a contract liability within other current liabilities on the consolidated balance sheet as of June 30, 2020. No amounts were recorded as a contract liability as of June 30, 2021.

(ii) Accelerated Medicare Payments

During the year ended June 30, 2020, the System received approximately $204,349 for accelerated medicare payments. These advanced payments were provided to accelerate cash flows to the impacted healthcare providers. Repayment of the Medicare accelerated payments began in April 2021, totaling $23,894 of recoupment for the year ended June 30, 2021.

(t) Charity Care

The System, excluding St. Dominic's Health Services, provides services to patients who meet the criteria of its charity care policy without charge or at amounts less than its established rates. The criteria for charity care considers household income in relation to the federal poverty guidelines and the equity value of real property assets. The System provides qualifying services without charge for patients with adjusted gross income equal to or less than 250% of the poverty guidelines. If the patient's household income exceeds 250% of the poverty guidelines, the patient may still receive charity care services under the System's catastrophic medical policies.

St. Dominic's Health Services provides services to patients who meet the criteria of its charity care policy without charge or at amounts less than established rates. The criteria for charity care considers household income in relation to the federal poverty guidelines. Patients may be eligible for charity care based on a sliding scale ranging from 20-100%. St. Dominic's Health Services provides 100% charity care for qualifying services for patients with a household income of less than or equal to 350% of the federal poverty guidelines.

The System maintains records to identify and monitor the level of charity care it provides for financial reporting and community benefit reporting requirements. For financial reporting purposes, the allocated charity expense for the years ended June 30, 2021 and 2020 was approximately $34,233 and $35,094, respectively, calculated based on the percentage of total operating expenses to established charges, applied to total charity adjustments recognized in net patient service revenue.

(u) Income Taxes

FMOLHS and the FMOLHS Affiliates are exempt from federal income taxes under Section 501(a) of the Internal Revenue Code (IRC) as organizations described in IRC Section 501(c)(3). Certain of the FMOLHS Affiliates' subsidiaries are subject to federal and state income taxes, provisions for which have been reflected in the accompanying consolidated financial statements. The amounts of such provisions are not material.

FMOLHS recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. No reserves for uncertain tax positions have been recorded.

(Continued)

(v) Fair Value Measurements

FMOLHS applies ASC Topic 820, *Fair Value Measurement*, which defines fair value, establishes an enhanced framework for measuring fair value, and expands disclosures about fair value measurements, including those required for certain investments in funds that do not have readily determinable fair values, including private equity investments, hedge funds, real estate, and other funds. ASC Topic 820 permits, as a practical expedient, the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value using NAV per share or its equivalent. NAV, in many instances, may not equal fair value that would be calculated pursuant to other related requirements of ASC Topic 820.

FMOLHS utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. FMOLHS determines fair value based on assumptions that market participants would use in pricing an asset or a liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- Level 1 inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date
- Level 2 inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability
- Level 3 inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date

(w) Fair Value Option

ASC Subtopic 825-10, *Financial Instruments – Overall*, gives FMOLHS the irrevocable option to report most financial assets and financial liabilities at fair value on an instrument-by-instrument basis, with changes in fair value reported in earnings. FMOLHS has not elected to apply the fair value option to any assets or liabilities.

(x) Recently Adopted Accounting Pronouncements

In August 2018, the FASB issued Accounting Standards Update (ASU) 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements on fair value measurements. The ASU removes the requirement to disclose the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, including the policy for timing of transfers between levels; the description of valuation processes for Level 3 fair value measurements; and the changes in unrealized gains and losses from remeasurement for the period included in other comprehensive income (loss) for recurring Level 3 fair value measurements held at the end of the reporting period. However, in lieu of a rollforward for Level 3 fair value measurements, the ASU requires to disclose transfers into and out of Level 3 of the fair value hierarchy and purchases and issues of Level 3 assets and liabilities. FMOLHS adopted the provisions upon effective date of June 30, 2020. The adoption of ASU 2018-13 resulted in fewer disclosures about fair value measurements, but did not otherwise have a material effect on the consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. Topic 842 establishes a ROU model that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases are classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement.

Additionally, in 2018 through 2020, the FASB issued the following Topic 842-related ASUs:

- 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*, which clarifies the applicability of Topic 842 to land easements and provides an optional transition practical expedient for existing land easements.
- 2018-10, *Codification Improvements to Topic 842, Leases*, which makes certain technical corrections to Topic 842.
- 2018-11, *Leases (Topic 842): Targeted Improvements*, which allows companies to adopt Topic 842 without revising comparative period reporting or disclosures and provides an optional practical expedient to lessors to not separate lease and non-lease components of a contract if certain criteria are met.
- 2019-01, *Leases (Topic 842): Codification Improvements*, which provides guidance for certain lessors on determining the fair value of an underlying asset in a lease and on the cash flow statement presentation of lease payments received. ASU 2019-01 also clarifies disclosures required in interim periods after adoption of ASU 2016-02 in the year of adoption.
- 2019-10, *Financial Instruments – Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842)*, Effective Dates, which defers the effective date of ASU 2016-02 and all related Topic 842 ASUs by one year to January 1, 2021, with early adoption permitted.
- 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842), Effective Dates for Certain Entities*, which further defers the effective date of ASU 2016-02 and all related Topic 842 ASUs by one year to January 1, 2022, with early adoption permitted.

The ASUs issued in 2018 and 2019 for Topic 842 are effective for FMOLHS at the same time as it adopts ASU 2016-02. However, ASU 2018-01 and the amendments related to lessors in ASU 2018-11 and ASU 2019-01 did not have a material effect on FMOLHS's 2020 and 2019 consolidated financial statements because FMOLHS does not enter into land easement arrangements and it is not a lessor. FMOLHS elected to adopt ASU 2016-02 on July 1, 2020 using a modified retrospective transition approach as of the effective date as permitted by the amendments in ASU 2018-11. As a result, FMOLHS was not required to adjust its comparative period financial information for effects of the standard or make the new required lease disclosures for periods before the date of adoption (i.e., July 1, 2020). The System has elected to adopt the package of transition practical expedients and, therefore, has not reassessed (1) whether existing or expired contracts contain a lease, (2) lease classification for existing or expired leases, or (3) the accounting for initial direct costs that were previously capitalized. The System did not elect the practical expedient to use hindsight for leases existing at the adoption date.

The adoption of ASU 2016-02 had a material effect on the consolidated balance sheet but did not materially affect the consolidated statement of operations and changes in net assets. The most significant changes to the consolidated balance sheet relate to the recognition of new ROU assets and lease liabilities for operating leases. The System's accounting for finance leases remains substantially unchanged. The adoption of ASU 2016-02 also had no material effect on operating, investing, or financing cash flows in the consolidated statement of cash flows. However, the System's lease-related disclosures have significantly increased as of and for the year ended June 30, 2021 as compared to prior years. See note 22.

As a result of adopting ASU 2016-02, the System recognized additional operating liabilities of $67,210 (of which $19,164 was current and $48,046 was noncurrent) with ROU assets of $67,210 as of July 1, 2020.

(y) Recently Issued Accounting Pronouncements

In January 2017, the FASB issued ASU 2017-04, *Simplifying the Test for Goodwill Impairment* (ASU 2017-04), which eliminates step 2 of the goodwill impairment test and replaces the qualitative assessment. Under the standard, an entity will perform its annual or interim goodwill impairment test by comparing the fair value of the reporting unit with its carrying amount, and recognize an impairment loss for the amount by which the carrying amount exceeds the reporting unit's fair value, with the loss not exceeding the total amount of goodwill allocated to that reporting unit. ASU 2017-04 is effective for FMOLHS for the annual period beginning after December 15, 2021. Early adoption is permitted for interim or annual goodwill impairment tests with measurement dates after January 1, 2017. FMOLHS is currently evaluating the effect that ASU 2017-04 will have on its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-14, *Compensation – Retirement Benefits – Defined-Benefit Plans* (Topic 715) (ASU 2018-14), which modified the disclosure requirements for employers that sponsor defined-benefit pension or other postretirement benefit plans. The guidance removes disclosures that are no longer considered cost beneficial, clarifies the specific requirements of disclosures, and adds disclosure requirements identified as relevant. The new guidance is effective for annual periods in fiscal years beginning after December 15, 2021, and early adoption is permitted. FMOLHS is currently evaluating this guidance and the impact on its consolidated financial statements.

(Continued)

(In thousands)

(2) Acquisitions

On July 1, 2019, the System entered into a Shared Mission Agreement with St. Dominic Health Services, Inc. (St. Dominic) to integrate two catholic ministries. In recognition of Dominican Sister’s charitable mission, the System, as consideration for the acquisition, will contribute support payments over seven years for their ongoing ministries totaling $62,000. Consideration paid upon acquisition on July 1, 2019 was $20,667 and the remaining purchase price obligation will be paid in annual amounts of $7,000 during fiscal years 2021 through 2025 with the final payment of $6,333 in fiscal year 2026. Included in the consolidated balance sheet as of June 30, 2021 are other current liabilities and other long-term liabilities of $7,000 and $31,981, respectively. The System imputed its interest rate to estimate the present value of the obligation, which resulted in a discount of the transaction was $2,578.

The System utilized the market approach, specifically the guideline public company and guideline transaction methods, in estimating the business enterprise value, and the cost approach in estimating the acquired property and equipment. The System engaged third-party valuation and actuarial specialists to assist in the determination of the fair value of acquired assets and liabilities assumed. As shown in the purchase price allocation below, an inherent contribution was recognized for the excess of the fair value of the assets acquired and liabilities assumed in excess of the total consideration.

The following table summarizes the total consideration and the estimated fair value of the assets acquired and liabilities assumed, including cash of $54,122, at the acquisition date:

Current assets	$ 106,689
Assets limited to use	179,393
Property and equipment	319,993
Other assets	9,036
Current liabilities	(54,204)
Current portion of long-term debt	(5,775)
Long-term debt, noncurrent	(41,885)
Accrued pension costs	(33,650)
Other long-term liabilities	(49,727)
Noncontrolling interest	(1,048)
Assets with restrictions	(16,161)
Net assets assumed	412,661
Total considerations at net present value	(59,422)
Inherent contribution	$ 353,239

(In thousands)

(3) Short-Term Investments and Assets Limited as to Use

Short-term investments at June 30, 2021 and 2020 consist of the following:

	2021	2020
Cash	$ 16,345	19,707
Equity securities:		
U.S. companies	2,745	2,700
Fixed income	3,390	—
Total	$ 22,480	22,407

The composition of assets limited as to use at June 30, 2021 and 2020 is as follows:

	2021					
	Board-designated for capital	Trusteed bond funds	Self-insurance trust funds	Other	Donor-restricted Other	Total
Asset category:						
Cash	$ 100,067	17,392	—	19,649	351	137,459
Equity securities:						
Global equity	174,887	—	—	—	—	174,887
U.S. equity	325,129	—	8,093	—	9,429	342,651
Non-U.S. equity	185,806	—	—	—	—	185,806
Private investments:						
Private equity/venture capital	86,447	—	—	—	—	86,447
Private real assets	4,198	—	—	—	—	4,198
Hedge funds	276,085	—	—	—	198	276,283
Real assets	108,588	—	—	—	—	108,588
Fixed income	202,868	—	59,354	—	3,796	266,018
	1,464,075	17,392	67,447	19,649	13,774	1,582,337
Less amounts classified as current assets, included in other current assets	—	17,392	—	19,003	—	36,395
Noncurrent portion	$ 1,464,075	—	67,447	646	13,774	1,545,942

(In thousands)

	2020					
	Board-designated for capital	Trusteed bond funds	Self-insurance trust funds	Other	Donor-restricted Other	Total
Asset category:						
Cash	$ 38,694	28,401	—	20,984	655	88,734
Equity securities:						
Global equity	126,359	—	—	—	—	126,359
U.S. equity	246,394	—	5,305	—	7,420	259,119
Non-U.S. equity	203,884	—	—	—	—	203,884
Private investments:						
Private equity/venture capital	48,347	—	—	—	—	48,347
Private real assets	3,847	—	—	—	—	3,847
Hedge funds	234,454	—	—	—	158	234,612
Real assets	87,369	—	—	—	—	87,369
Fixed income	132,413	—	50,311	—	3,217	185,941
	1,121,761	28,401	55,616	20,984	11,450	1,238,212
Less amounts classified as current assets, included in other current assets	—	28,401	—	20,391	—	48,792
Noncurrent portion	$ 1,121,761	—	55,616	593	11,450	1,189,420

(a) *Board-Designated for Capital*

In accordance with board of directors' approval, the FMOLHS Affiliates have designated assets to fund future capital acquisitions and capital improvements.

The FMOLHS Affiliates invest their board-designated for capital funds together within FMOLHS in a capital reserve investment fund held in a Northern Trust custodial account. Through usage of unitized accounting, these investments are segregated for each FMOLHS Affiliate. Investments held as board-designated for capital are managed by several money managers, which focus on different investment strategies and provide diversity to the investments.

(b) *Alternative Assets*

Alternative assets include limited partnerships and offshore investment funds. These funds invest in certain types of financial instruments, including, among others, futures and forward contracts, options, and securities sold not yet purchased, intended to hedge against changes in the market value of investments. These financial instruments, which involve varying degrees of risk, may result in loss due to changes in the market (market risk). Alternative assets by strategy type are as follows:

(In thousands)

		2021	2020
Alternative assets:			
Global equity	$	174,887	126,359
U.S. equity		213,558	153,511
Non-U.S. equity		126,710	152,217
Private equity/venture capital		86,447	48,347
Private real assets		4,198	3,847
Hedge funds		276,283	234,612
Real assets		48,257	47,357
Fixed income		5,779	7,383
Total alternative assets	$	936,119	773,633

At June 30, 2021, FMOLHS's remaining outstanding commitments to private equity interests totaled $81,015. The projected capital call amounts for the next three fiscal years and thereafter are summarized in the table below:

		Projected capital calls
Fiscal year:		
2022	$	24,368
2023		24,368
2024		17,274
Thereafter		15,005
	$	81,015

Private equity interests have 10-year terms, with extensions of 1 to 4 years. As of June 30, 2021, the average remaining life of the private equity interests is approximately 4.1 years.

At June 30, 2021 and 2020, FMOLHS had investments with restrictions of $419,362 and $330,946, respectively, which were restricted from redemption for lock-up periods. Some of the investments with restrictions allow early redemption for specified fees. The terms and conditions upon which an investor may redeem an investment vary, usually requiring 30 to 180 days' notice after the initial lock-up period.

(In thousands)

Based upon the terms and conditions in effect at June 30, 2021, FMOLHS's investments with restrictions can be redeemed or sold as follows:

		Amount
Fiscal years:		
2022	$	410,988
2023		8,374
	$	419,362

(c) Trusteed Bond Funds

Certain trusteed bond funds have been established in accordance with the requirements of indentures related to various bond obligations. The consolidated trusteed bond funds as of June 30, 2021 and 2020 consist of the following categories:

		2021	2020
Principal and interest funds	$	17,392	28,401
Less amounts classified as other current assets		(17,392)	(28,401)
Noncurrent portion	$	—	—

The above funds were established in accordance with related indentures to secure the payment of principal and interest on the related obligations, and to pay or reimburse the FMOLHS Affiliates for payment of the costs of the acquisition, construction, and installation of certain extensions and improvements to their facilities. Amounts classified as current represent funds deposited to pay-related debt service costs and contribution fund classified as other current liabilities. Information regarding FMOLHS's debt obligations is included in note 10.

(d) Self-Insurance Trust Funds

The self-insurance trust funds represent amounts designated to pay certain self-insured losses (note 20).

(Continued)

(In thousands)

(e) Other

Other assets limited as to use as of June 30, 2021 and 2020 consist of the following:

		2021	2020
Scholarships – by donor	$	1,075	351
Healthcare services – by donor		15,440	12,907
Resident deposits		16,263	18,581
Escrow, security deposits, and surplus cash		177	174
Capital improvement – by grantor agency		468	421
		33,423	32,434
Less amounts classified as current		(19,003)	(20,391)
	$	14,420	12,043

All investments are considered “trading” for accounting purposes. All unrestricted investment income, including both realized and unrealized gains and losses, is included in the reported total of revenues, gains, and other support in excess of expenses and losses in the consolidated statements of operations and changes in net assets without donor restrictions.

Investments, in general, are exposed to various risks such as interest rate, credit, and overall market volatility. As such, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated balance sheets, statements of operations and changes in net assets without donor restrictions, and statements of changes in net assets.

(4) Other Current Assets

The composition of other current assets at June 30, 2021 and 2020 is as follows:

		2021	2020
Other receivables	$	51,894	33,405
Inventories and supplies		74,779	74,859
Prepaid expenses and other current assets		57,067	35,177
Assets limited as to use required for current liabilities		36,395	48,793
	$	220,135	192,234

(In thousands)

(5) Property and Equipment

A summary of property and equipment as of June 30, 2021 and 2020 is as follows:

		2021	2020	Estimated useful lives
Land	$	187,921	186,694	—
Land improvements		25,883	26,829	2–40 Years
Buildings and building improvements		1,676,574	1,625,697	5–40 Years
Fixed equipment		158,757	147,588	3–40 Years
Movable equipment		812,685	780,550	3–25 Years
Leasehold improvements		16,545	16,633	5–15 Years
ROU assets		61,660	—	4–9 Years
Construction in progress		43,084	69,650	—
		2,983,109	2,853,641	
Less accumulated depreciation		1,269,136	1,206,355	
	$	1,713,973	1,647,286	

At June 30, 2021, the FMOLHS Affiliates were obligated under purchase commitments of $8,474 relating to the completion of various construction projects and purchases of equipment. Approximately $1,409 and $4,051 related to such projects are included in accounts payable at June 30, 2021 and 2020, respectively.

(6) Other Assets

The composition of other assets at June 30, 2021 and 2020 is as follows:

		2021	2020
Investments in equity investees	$	68,774	57,162
Cost in excess of net assets acquired		94,527	97,550
Software license and build, net of accumulated amortization		40,325	43,553
Other		15,147	18,630
	$	218,773	216,895

(In thousands)

(7) Investment in Equity Investees

A summary of the FMOLHS's investment in equity investees at June 30, 2021 and 2020 included in other assets in the consolidated balance sheets, and its income from equity investees for the years ended June 30, 2021 and 2020 are as follows:

	2021			
	Ownership interest		Investment in investees	Equity income (loss) of investees
Convenient Care, LLC	50 %	$	1,961	122
Surgical Specialty Center of Baton Rouge, LLC	49		9,121	8,227
Baton Rouge Physical Therapy – Lake	15		1,806	81
Premier Health Holdings, LLC	20		14,618	(142)
Innovation Institute	19		15,284	390
Park Place Surgery Center	45		6,347	3,633
Others	Various		19,637	2,727
		$	68,774	15,038

	2020			
	Ownership interest		Investment in investees	Equity income (loss) of investees
Convenient Care, LLC	50 %	$	2,584	681
Surgical Specialty Center of Baton Rouge, LLC	49		8,315	8,434
Baton Rouge Physical Therapy – Lake	15		1,772	690
Premier Health Holdings, LLC	50		2,660	(561)
Innovation Institute	21		14,894	(279)
Park Place Surgery Center	45		6,539	3,129
Others	Various		20,398	4,270
		$	57,162	16,364

(8) Lines of Credit

At June 30, 2021, the FMOLHS Affiliates had various unsecured working capital lines of credit with banks in aggregate amount of $131,000, bearing interest at variable rates expiring at various dates through June 2021. The amount outstanding at June 30, 2021 was $7,300. There was no outstanding balance at June 30, 2020. FMOLHS affiliates expect to renew the lines of credit at expiration under substantially the same terms and conditions.

(In thousands)

(9) Other Current Liabilities

The composition of other current liabilities at June 30, 2021 and 2020 is as follows:

		2021	2020
Accrued salaries and related expenses	$	161,328	116,423
Accrued interest		16,388	14,670
Due to third-party payors		98,790	97,352
Medicare accelerated payments		135,220	204,349
Paycheck Protection Program (PPP) loan		—	25,101
CARES Act Provider Relief Funding		—	44,566
Accrued expenses and other current liabilities		92,726	90,268
	$	504,452	592,729

(10) Long-Term Debt

A summary of long-term debt at June 30, 2021 and 2020 is as follows:

		2021	2020
Obligated group bonds:			
Louisiana Public Facilities Authority Hospital Revenue and Refunding Bonds Series 1998A, $72,560 tax-exempt bonds; due in varying installments through fiscal year 2026 with interest fixed at rates ranging from 5.50% to 5.75%	$	10,370	12,130
Louisiana Public Facilities Authority Hospital Revenue Bonds Series 2005D, $89,350 bonds; refunded with Series 2019B Taxable Revenue Bonds		—	52,225
Louisiana Public Facilities Authority Hospital Revenue Refunding Bonds Series 2008A, $47,185 bonds; refunded with Series 2019B Taxable Revenue Bonds		—	33,545
Louisiana Public Facilities Authority Hospital Revenue Refunding Bonds Series 2012A, $56,530 bonds; due in varying installments through 2033, with interest fixed at 2.47%		56,395	56,395
Louisiana Public Facilities Authority Hospital Revenue Bonds Series 2012B, $100,000 bonds; refunded with Series 2019B Taxable Revenue Bonds		—	100,000

(In thousands)

		2021	2020
Louisiana Public Facilities Authority Hospital Revenue Refunding Bonds Series 2015A, $190,710; due in varying installments through 2040, with interest fixed rates ranging from 3.50% to 5.00%	$	189,560	189,560
Louisiana Public Facilities Authority Hospital Revenue Bond Series 2017A, $150,000 bonds; due in varying installments through fiscal year 2048, with fixed interest rates ranging from 3.75% to 5.00%		150,000	150,000
Master Trust Indenture Note (Franciscan Missionaries of Our Lady Heath System Series 2019A) PNC Term Loan Agreement; Maturity date of October 9, 2029, which bears interest at a fixed rate of 2.06%		78,015	78,015
Franciscan Missionaries of Our Lady Health System, Inc. Taxable Revenue Bonds, Series 2019B Bonds due July 1, 2049 with interest at a fixed rate of 3.914%		332,000	150,000
		816,340	821,870
Add unamortized premiums		47,856	26,802
Total obligated group debt		864,196	848,672
Capital improvement financing		37,933	39,283
Other debt due in varying installments through 2037		47,416	53,081
Total long-term debt for FMOLHS		949,545	941,036
Less current installments of long-term debt		8,333	21,164
Less costs of issuance		6,587	7,186
	$	934,625	912,686

In December 2017, the Lake and Baton Rouge Hospital Energy Holdings I, LLC (BREHEH) entered into a concession agreement to manage and optimize the Lake's heating and cooling infrastructure, which will provide energy efficiencies and capacity. In association with the concession agreement, the Lake and BRHEH also entered into a thermal services agreement, with payment terms that will fund operating and maintenance costs, thermal services costs, and debt repayments for capital improvement financing. The concession agreement has a term of 20 years and the amount of the borrowing under the agreement at June 30, 2021 and 2020 totaled $37,933 and $39,283, respectively.

As of July 1, 2019, FMOLHS acquired St. Dominic's long-term debt. This consisted of several note payables with Trustmark Bank and Bancorp South with rates ranging from 2.75%-3.35% and maturity dates through year 2026. Total debt of St. Dominic as of June 30, 2021 is $42,257.

(Continued)

FMOLHS and certain FMOLHS Affiliates participate in an Obligated Group Master Trust Indenture whereby the obligated issuers have agreed to be jointly and severally liable for timely payments due and for the performance and observance of all covenants and agreements pursuant to the trust indenture. FMOLHS directs the proceeds of the borrowed funds to the particular affiliate benefiting therefrom and separate escrow funds are maintained by the trustee for each of the affiliates to support each affiliate's allocated portion of the bonds (note 3). The total debt subject to the Obligated Group Guarantee and Master Trust Indenture amounted to $864,196 and $848,672 as of June 30, 2021 and 2020, respectively.

The Master Trust Indenture covering the bond issues contains numerous covenants typical of such agreements, including a liquidity ratio, debt service coverage ratio, and leverage ratio. In addition, the Obligated Group members are subject to restrictions on maintenance of revenue, incurrence of additional debt, disposition of assets, maintenance of insurance, and other restrictions. Obligations of the Obligated Group under the Master Trust Indenture are general obligations secured by the full faith and credit of the Obligated Group. None of the bonds are secured by a mortgage on, or security interest in, any real or personal property of FMOLHS or its affiliates.

In 2005, FMOLHS completed a system-wide refinancing for the purposes of advance refunding certain Series 1998A and Series 1998C bonds and providing additional capital by issuing four series of revenue bonds. The following bond series were issued by the Louisiana Public Facilities Authority (the Authority): $80,000 fixed rate Revenue Bonds (Series 2005A), $100,000 variable rate Revenue Bonds (Series 2005B and 2005C in the amounts of $50,000 each), and $89,325 in variable rate Revenue and Refunding bonds (Series 2005D). The four bond issues totaled $269,325, of which approximately $83,000 represented refunding of existing bonds and the remainder of approximately $186,000 was designated for capital improvements, including facility modifications and additions and new equipment acquisitions.

In 2012, FMOLHS completed an issuance of $100,000 of Hospital Revenue Bonds Series 2012 (the 2012B Series). The proceeds for the 2012B Series were used for (i) acquiring, constructing, and equipping a patient tower and other capital improvements at the campus of the Lake and (ii) paying the costs of issuance of the bonds. FMOLHS also completed a $56,530 issuance of Hospital Revenue Bonds Series 2012 (the 2012A Series). The proceeds for the 2012A Series were used to refund all outstanding Series 2005C bonds and prepayment cost.

On August 25, 2014, FMOLHS completed a refinancing of the Series 2005B and Series 2005D through the purchase of the notes by MUFG Union Bank, N.A. f/k/a Union Bank, N.A. The interest rates on the Series 2005B and Series 2005D Revenue Notes are computed as a percentage of LIBOR plus a spread and mature in varying installments through 2028.

On March 1, 2015, FMOLHS completed the issuance of $190,710 of the Louisiana Public Facilities Authority Hospital Revenue Refunding Bonds (FMOLHS Project – Series 2015A). The proceeds of the bonds were issued for the purpose of advance refunding $44,980 of the Series 2005A, advance refunding all $125,000 of the outstanding Series 2009A, and paying the costs of issuance. Series 2015A shall mature on July 1, 2039.

(In thousands)

On August 1, 2015, FMOLHS entered into a taxable loan agreement with The Northern Trust Company (2015B). The loan proceeds were used to refund the remaining portion of the 2005A Series and the related issuance costs. The principal amount of the loan agreement is $35,160 and was due to mature on August 17, 2025.

On June 29, 2017, FMOLHS completed the issuance of $150,000 Louisiana Public Facilities Authority Hospital Revenue Bond Series 2017A. The proceeds of the bonds were used for the purpose of (i) financing a portion of the cost of acquiring, constructing, furnishing, and equipping a new freestanding children's hospital in Baton Rouge, Louisiana and (ii) paying costs of issuance of the bonds.

On October 1, 2019, FMOLHS refunded the Series 2005B and Series 2015B bond debt through a term loan agreement with PNC Bank in connection with Series 2019A Taxable Fixed Direct Placement debt. The Series 2019A has a par value of $78,015 with a 2.06% fixed rate.

On October 1, 2019, FMOLHS completed the issuance of $150,000 Taxable Revenue Bonds (Series 2019B) that will be used to finance certain capital projects of the Corporation and to reimburse the Corporation for prior expenditures. The Series 2019B has a 3.91% fixed rate.

On December 10, 2020, FMOLHS issued $182,000 in additional Series 2019B Taxable Revenue Bonds. The bond funds were used to advance refund Series 2012B bonds, Series 2005D bonds, Series 2008A bonds, and to terminate its interest rate swaps.

Aggregate maturities of long-term debt at June 30, 2021 are as follows:

Year ending June 30:		
2022	$	8,333
2023		8,686
2024		8,306
2025		17,383
2026		9,854
Thereafter		849,127
	$	901,689

(11) Interest Rate Swaps

FMOLHS uses interest rate-related derivative instruments to manage its exposure related to changes in interest rates on its variable rate debt instruments. FMOLHS does not enter into derivative instruments for any purpose other than cash flow hedging. FMOLHS does not speculate using derivative instruments.

By using derivative financial instruments to hedge exposures to changes in interest rates, FMOLHS exposes itself to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes FMOLHS, which creates credit risk for FMOLHS. When the fair value of a derivative contract is negative, FMOLHS owes the counterparty, and therefore, FMOLHS is not exposed to the counterparty's credit risk in those circumstances. FMOLHS minimizes counterparty credit risk in derivative instruments by entering into transactions with high-quality counterparties.

Market risk is the adverse effect on the value of a derivative instrument that results from a change in interest rates. Such risk associated with interest rate changes is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken.

FMOLHS entered into an interest rate swap agreement with Merrill Lynch Capital Services with respect to the 2005D refunding series. Such agreement is intended to reduce the impact of changes in interest rates on the variable rate debt. The swap agreement effectively changes FMOLHS's interest rate exposure on the 2005D variable rate debt to a fixed rate of 3.53%.

In 2005, FMOLHS also obtained preapproval from the Louisiana Public Facilities Authority for the issuance of revenue refunding bonds in 2008 to advance refund the approximately $48,000 of 1998A and 1998C bonds. In 2005, FMOLHS entered into a forward starting interest rate swap agreement with Goldman Sachs Capital Markets to effectively change FMOLHS's interest rate exposure on the 2008 bonds once issued from a variable rate to a fixed rate of 3.66%.

In June 2007, FMOLHS entered into two Constant Maturity Swaps with Merrill Lynch. Under these swap agreements, FMOLHS receives variable rate payments based on the ten-year International Swaps and Derivatives Association Inc. swap rate and makes variable-rate payments based on one-month LIBOR. The total notional amount of the first swap is $88,325, with an effective date of July 1, 2008, and the total notional amount of the second swap is $49,075, with an effective date of May 29, 2008.

The interest rate swap agreements are not afforded hedge accounting treatment in the consolidated financial statements and are marked to fair value through the consolidated statements of operations and changes in net assets without donor restrictions. The net unrealized gain (loss) on the interest rate swaps for the years ended June 30, 2021 and 2020 was $1,774 and $(853), respectively, and is included in nonoperating gains in the accompanying consolidated statements of operations and changes in net assets without donor restrictions.

(Continued)

(In thousands)

On December 10, 2020, FMOLHS issued additional Series 2019B Taxable Revenue Bonds. A portion of the bond funds were used to terminate its interest rate swaps. These swap contracts were settled, and none are outstanding at June 30, 2021. The following is a summary of the contracts outstanding at June 30, 2020 and are recorded, as applicable, in either other assets or other long-term liabilities:

	June 30, 2020					
Related bond issuance	Notional amount	Maturity date	Average rate paid	Average rate received	Increase (decrease) in interest expense	Swap fair value
2005D	$ 52,250	7/1/2028	3.53 %	1.02 %	1,301	(6,894)
2005D	52,250	7/1/2028	1.02	0.60	226	196
2008A	37,100	7/1/2025	3.66	1.02	978	(2,715)
2008A	37,100	7/1/2025	1.02	0.60	161	69

(12) Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2021 and 2020 are available for the following purposes:

	2021	2020
Healthcare services	$ 34,519	38,219
Elderly housing	7,280	7,515
Educational services	12,718	10,744
Other	19	20
	$ 54,536	56,498

The above donor-restricted net assets are included in the following balance sheet captions:

	2021	2020
Cash	$ 32,591	35,813
Assets limited as to use	13,774	11,450
Other current assets	8,171	9,235
	$ 54,536	56,498

(In thousands)

Net assets released from restrictions for the years ended June 30, 2021 and 2020 are sas follows:

		2021	2020
Healthcare services	$	14,930	14,176
Release for long-lived assets		13,295	34,847
Elderly housing		235	220
Educational services and other		1,452	1,237
	$	29,912	50,480

(13) Net Patient Service Revenue

The System has determined that the nature, amount, and uncertainty of revenue and cash flows are affected by the following factors: payors and service lines. The following tables provide details of these factors.

The composition of net patient service revenue by primary payor for the years ended June 30, 2021 and 2020 is as follows:

		2021	2020
Medicare	$	1,156,390	959,074
Medicaid		617,290	548,042
Blue Cross		707,158	602,847
Self-pay		95,807	137,012
Managed care/other		344,978	493,238
	$	2,921,623	2,740,213

Revenue from patient’s deductibles and coinsurance are included in the preceding categories based on the primary payor.

(In thousands)

The composition of net patient service revenue based on the System's lines of business for the years ended June 30, 2021 and 2020 are as follows:

		2021	2020
Service lines:			
Hospitals (inpatient and outpatient)	$	2,525,698	2,339,391
Physician groups		290,067	264,590
Elderly services		37,036	61,258
Joint ventures and other		68,822	74,974
	$	2,921,623	2,740,213

The FMOLHS Affiliates have agreements with governmental and other third-party payors that provide for reimbursement to the FMOLHS Affiliates at amounts different from their established rates. Contractual adjustments under third-party reimbursement programs represent the difference between billings at established rates for services and amounts reimbursed by third-party payors. Management regularly analyzes the historical contractual adjustments for each payor group to determine if current estimates for contractual adjustment allowances need to be revised. A summary of the basis of reimbursement with major third-party payors is as follows:

(a) Medicare

Substantially all acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Certain types of exempt services and other defined payments related to Medicare beneficiaries are paid based on cost reimbursement or other retroactive determination methodologies. The FMOLHS Affiliates are paid for retroactively determined items at tentative rates with final settlement determined after submission of annual cost reports by FMOLHS Affiliates and audits by the Medicare fiscal intermediary. The FMOLHS Affiliates' Medicare cost reports have been audited by the Medicare fiscal intermediary through varying years ranging from June 30, 2011 to June 30, 2015. Periods for which final settlements have not been made are subject to audit by program representatives. In the opinion of management, adequate provision has been made in the accompanying consolidated financial statements for the effects of estimated final settlements.

(b) Medicaid

Inpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined per diem rates. These rates vary according to a hospital classification system that is based on bed size, teaching status, and other factors. Additional outlier payments are made for neonatal intensive care patients with extended lengths of stay. Outpatient services rendered to Medicaid program beneficiaries are reimbursed based upon a cost-reimbursement methodology. The FMOLHS Affiliates are paid at a tentative rate with final settlement determined after submission of annual cost reports by FMOLHS Affiliates and audits by the Medicaid fiscal intermediary. The FMOLHS Affiliates' Medicaid cost reports have been audited by the Medicaid fiscal intermediary through varying years ranging from June 30, 2005 to June 30, 2012. Periods for which final settlements have not been made are subject to audit by program representatives. In the opinion of management, adequate provision has been made in the accompanying consolidated financial statements for the effects of estimated final settlements.

The Mississippi Hospital Access Program (MHAP) is administered by the Division of Medicaid (DOM) through the Mississippi CAN coordinated care organization (CCO). The CCO's subcontract with the hospitals throughout the state for distribution of MHAP funding for the purpose of protecting patient access to hospital care.

FMOLHS Affiliates also participate in the voluntary disproportionate share (DSH) program available to certain qualifying hospitals in the states Medicaid program. For the years of June 30, 2021 and 2020, under these programs, St. Dominic Hospital paid assessments of $13,238 and $15,280 in state provider taxes and received funding of $34,959 and $35,372. There can be no assurance that the hospital will continue to qualify for future participation in these programs or that the programs will not ultimately be discontinued or materially modified.

(c) Blue Cross

Inpatient services rendered to Blue Cross subscribers are paid at prospectively determined per diem rates. Outpatient services are paid based on a fee schedule.

(d) Other Payors – Certain Commercial Insurance Carriers, Health Maintenance Organizations, and Preferred Provider Organizations

Payment methodologies under these agreements include prospectively determined rates per discharge, discounts from established charges, prospectively determined per diem rates, and fee schedules.

Revenue from the Medicare and Medicaid programs accounted for approximately 40% and 21%, respectively, of the System's net patient service revenue for the year ended June 30, 2021. Revenue from the Medicare and Medicaid programs accounted for approximately 35% and 20%, respectively, of the System's net patient service revenue for the year ended June 30, 2020. Net patient service revenue increased by approximately $149 and $10,031 in 2021 and 2020, respectively, due to final settlements and revised estimated settlements in excess of amounts previously recorded, removal of allowances previously estimated that are no longer necessary as a result of final settlements, and years that are no longer subject to audits, reviews, and investigations.

With the reduction of prepayment reviews, including recovery audit contractor (RAC) reviews by the CMS, the FMOLHS Affiliates continue to experience changes to net patient service revenue for prior years of service. Due to completed, pending, and projected RAC reviews, the FMOLHS Affiliates' net patient revenue decreased by $1,638 and $651 for the years ended June 30, 2021 and 2020, respectively.

(Continued)

(In thousands)

The System grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of gross System receivables from patients and third-party payors at June 30, 2021 and 2020 was as follows:

	2021	2020
Medicare	40 %	35 %
Medicaid	21	20
Blue Cross	24	22
Self-pay	3	5
Managed care/other	12	18
	100 %	100 %

A reconciliation of the amount of services provided to patients at established rates to patient service revenue, as presented in the accompanying consolidated statements of operations and changes in net assets without donor restrictions, is as follows for the years ended June 30, 2021 and 2020:

	2021	2020
Gross patient service revenue	$ 9,514,843	8,848,639
Less:		
Contractual adjustments, implicit price concessions, and other discounts	6,593,220	6,108,426
Net patient service revenue	$ 2,921,623	2,740,213

(14) Related-Party Transactions

The FMOL Sisters formed the Franciscan Fund (the Fund) to support community programs in the operating areas of the FMOLHS hospitals. Each FMOLHS hospital makes contributions to the Fund based on a percentage of earnings determined by the Fund, then can submit grant applications to the Fund to receive moneys back for supporting its community programs. Grant-making decisions are made by the FMOL Sisters and no guarantee is provided that each hospital will receive back its specific contribution amounts in the form of a formal grant from the Fund. During fiscal year 2021 and 2020, no contributions were made to the Fund. This fund is included in Health System’s investment portfolio and recognized on the consolidated balance sheets in both assets limited as to use and other long-term liabilities.

The affiliation agreement between FMOLHS and Mary Bird Perkins Cancer Center was effective July 1, 2012 to further enhance the cancer program operations, including clinical research, and to provide the community with comprehensive cancer care services. The cost of this program is shared by both entities, and the operating expense for FMOLHS for the years ended June 30, 2021 and 2020 was $824 and $670, respectively.

During 2013, FMOLHS entered into Management Services agreements with Mary Bird Perkins Cancer Center to manage the business operations of medical oncology services. The services provided by Mary Bird Perkins Cancer Center included management of operations, scheduling and registration of patients, management of billing and collections services, and staffing support for clinical and nonclinical personnel. During 2018, FMOLHS entered into additional Management Services agreement with Mary Bird Perkins Cancer Center to manage business operations of new Gamma Knife Center treatment services. The management services and staffing expenses for both agreements incurred for the years ended June 30, 2021 and 2020 were $11,197 and $4,820, respectively. The Mary Bird Perkins management and affiliation agreements will conclude December 31, 2021. The Lake will internally manage its cancer center going forward and has established the Our Lady of the Lake Cancer Institute, with plans to begin construction of a new cancer facility in 2022.

FMOLHS held a 20.5% ownership interest in Premier Health Holdings LLC, which was formed on December 31, 2014. On March 1, 2021, the System transferred its ownership interest in Premier Health Holdings LLC for $1,629 and recorded a gain of $13,349 on the transaction. The System held a note receivable totaling $9,106, which was paid off as part of the transaction. Premier Health Holdings, LLC owns, leases, and provides management services for urgent care centers. Management and consulting services are provided to urgent care centers owned or partially owned by the Lake and Lourdes. The Lake also owns 50% of Convenient Care LLC, and some members with ownership in the remaining 50% of Convenient Care LLC also have an ownership interest in Premier Health Holdings, LLC.

(15) Pension and Other Postretirement Benefits

(a) Defined-Benefit Plans

FMOLHS sponsors the benefit plans for the Retirement Plan of Our Lady of the Lake Hospital and Affiliated Organizations (Lake Pension), Pension Plan for Employees of Our Lady of Lourdes Regional Medical Center, Inc. (Lourdes Pension), Retirement Plan for Employees of St. Francis Medical Center, Inc. (St. Francis Pension), and the Retirement Plan for Employees of St. Dominic Health Services, Inc. (St. Dominic Pension) (collectively, the Plans). The St. Dominic Pension was acquired on July 1, 2019 through the acquisition of St. Dominic Health Services, Inc. (see note 2).

In September of 2020, the System's Board of Directors approved the freezing of the Lake, Lourdes, and St. Francis Plans effective January 1, 2021, the defined-benefit plan participants were transitioned to a defined-contribution plan and their defined-benefit plan assets were frozen.

(In thousands)

The following tables at June 30, 2021 and 2020 sets forth, in the aggregate, the Plans' changes in benefit obligations, changes in plan assets, and the funded status of the Plans:

		2021	2020
Change in benefit obligation:			
Projected benefit obligation, beginning of year	$	1,755,655	1,183,555
Acquired projected benefit obligation		—	434,433
Service cost		12,671	26,093
Interest cost		39,771	52,526
Actuarial (gains) losses		(3,051)	204,914
Liability loss due to curtailment		—	(86,820)
Benefits paid		(55,574)	(59,046)
Projected benefit obligation, end of year		1,749,472	1,755,655
Change in plan assets:			
Fair value of plan assets, beginning of year		1,037,545	631,352
Acquired fair value of plan assets		7,012	400,783
Actual return on plan assets		191,857	24,045
Contributions made		38,094	40,411
Benefits paid		(55,577)	(59,046)
Fair value of plan assets, end of year		1,218,931	1,037,545
Funded status	$	(530,541)	(718,110)
Amounts recognized in the consolidated balance sheets consist of:			
Accrued pension cost	$	(530,541)	(718,110)
Amounts recognized in net assets without donor restrictions:			
Net actuarial loss	$	328,386	479,904
	$	328,386	479,904

(In thousands)

Weighted average assumptions used to determine the projected benefit obligations at June 30, 2021 and 2020 were as follows:

	2021	2020
Weighted average discount rate:		
The Lake (including FMOLHS)	3.05 %	2.99 %
Lourdes	2.98	2.92
St. Francis	2.94	2.89
St. Dominic	2.96	2.91
Rate of compensation increase	N/A	3.00–4.00

Net periodic pension cost for the years ended June 30, 2021 and 2020 includes the following components:

	2021	2020
Service cost, benefits earned during the year	$ 12,671	26,093
Interest cost on projected benefit obligation	39,771	52,526
Expected return on plan assets	(61,185)	(66,795)
Amortization of actuarial losses	10,783	34,766
Curtailment expense	—	387
Amortization of prior service cost	—	84
Net periodic pension cost	2,040	47,061
Other changes in plan assets and benefit obligations recognized in net assets without donor restrictions:		
Net actuarial (gain) loss	(133,723)	247,665
Prior service credit	(10,783)	(387)
Actuarial loss (gain)	189	(86,820)
Amortization of net actuarial losses	—	(34,766)
Amortization of prior service cost	—	(84)
Other	(7,012)	—
	(151,329)	125,608
Total recognized in net periodic benefit costs and net assets without donor restrictions	$ (149,289)	172,669

(In thousands)

Weighted average assumptions used to determine net periodic pension cost for the years ended June 30, 2021 and 2020 were as follows:

	2021	2020
Weighted average discount rate:		
The Lake (including FMOLHS)	2.99 %	3.75 %
Lourdes	2.92	3.69
St. Francis	2.89	3.66
St. Dominic	2.91	3.67
Expected return on plan assets:		
The Lake (including FMOLHS)	6.50 %	7.50 %
Lourdes	6.50	7.50
St. Francis	6.50	7.50
St. Dominic	5.00	5.00
Rate of compensation increase:		
The Lake (including FMOLHS)	3.0%–4.0%	3.0%–4.0%
Lourdes	3.0%–4.0%	3.0%–4.0%
St. Francis	3.0%–4.0%	3.0%–4.0%
St. Dominic	3.0%–4.0%	3.0%–4.0%

The defined-benefit pension plan asset allocation of the Lake Pension, Lourdes Pension, and St. Francis Pension as of the measurement date (June 30, 2021 and 2020) and the target asset allocation, presented as a percentage of total plan assets, were as follows:

	2021	2020	Target allocation
Growth	50 %	55 %	45%–60%
Diversifiers	19	22	10%–30%
Liability hedge	25	22	15%–35%
Cash	6	1	0%–5%

(In thousands)

The defined-benefit pension plan asset allocation of the St. Dominic Pension as of the measurement date (June 30, 2021 and 2020) and the target asset allocation, presented as a percentage of total plan assets, were as follows:

	2021	2020	Target allocation
Growth	24 %	26 %	15%–35%
Diversifiers	6	4	0%–10%
Liability hedge	68	68	54%–84%
Cash	2	2	0%–10%

The allocation percentages above reflect investments recognized by investee funds within one day of year-end.

The asset allocation policy provides for a range of minimum and maximum investments in each asset class to allow flexibility in achieving expected long term rate of return. Historical return patterns and correlations, consensus return forecast, and other relevant financial factors are analyzed to check for reasonableness and appropriateness of the asset allocation to ensure that the probability of meeting actuarial assumptions is reasonable. The Investment Committee monitors manager performance, rate of return, and risk factors on a quarterly basis and makes required adjustments to achieve expected returns.

FMOLHS's overall expected long-term rate of return on assets is 6.00%. The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based on historical returns, without adjustments.

FMOLHS will continue to provide investment oversight for all of the FMOLHS Affiliates' defined-benefit plans. Asset allocations and investment performance are formally reviewed quarterly by the FMOLHS Investment Committee (Investment Committee). FMOLHS utilizes an investment adviser, multiple managers for different asset classes, and a separate custodian in managing the pooled funds.

The asset allocation is designed to provide a diversified mix of asset classes, including U.S. and foreign equity securities, fixed-income securities, hedge funds, real estate investment trusts, and cash. The investment goals for the pooled funds are to achieve returns in the top half of a representative universe of professionally managed funds with a percentage of equity, fixed income, and alternate investments to be indicative of the asset mix policy of the fund; to exceed the return of a balanced market index weighted to replicate the asset allocation policy of the plan; to exceed the rate of inflation as measured by the consumer price index by at least 500 basis points on an annualized basis; to achieve a positive risk-adjusted return; and to achieve a rate of return above the current actuarial assumption. Risk management practices include various criteria for each asset class, including measurement against various benchmarks, achievement of a positive risk-adjusted return, and investment guidelines for each class of assets that enumerate types of investments allowed in each category.

(In thousands)

FMOLHS's retirement plan assets are reported at fair value. Level 1 assets include investments in publicly traded equity securities and mutual funds. These securities (or the underlying investments of the funds) are actively traded and valued using quoted prices for identical securities from the market exchanges. Level 2 assets consist of investments that are not actively traded or whose underlying investments are valued using observable marketplace inputs. The fair value of plan assets invested in fixed-income securities is generally determined using valuation models that use observable inputs, such as interest rates, bond yields, low-volume market quotes, and quoted prices for similar assets. Level 3 assets include investments in private equities and hedge funds valued using significant unobservable inputs. Plan assets that are invested in commingled, hedge, and private equity funds are valued using a unit price or NAV that is based on the underlying investments of the fund.

The following is a summary of the levels within the fair value hierarchy of plan assets as of June 30, 2021 and 2020:

	June 30, 2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Asset category:				
Cash	$ 54,256	—	—	54,256
Equity:				
U.S. equity	47,954	—	—	47,954
Non-U.S. equity	29,859	—	—	29,859
Fixed Income	8,703	—	—	8,703
Fixed income	355,149	—	—	355,149
Assets measured at NAV(1)	—	—	—	723,010
Total	$ 495,921	—	—	1,218,931

(In thousands)

	June 30, 2020			
	Level 1	**Level 2**	**Level 3**	**Total**
Asset category:				
Cash	$ 16,819	—	—	16,819
Equity:				
U.S. equity	61,503	—	—	61,503
Non-U.S. equity	31,217	—	—	31,217
Fixed Income	8,291	—	—	8,291
Fixed income	341,742	—	—	341,742
Assets measured at NAV(1)	—	—	—	577,973
Total	$ 459,572	—	—	1,037,545

(1) Investments measured at fair value using NAV as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table for these investments are included to permit reconciliation of the fair value hierarchy to the total plan assets.

There were no transfers into or out of Level 1, Level 2, or Level 3 investments during fiscal year 2021 or 2020.

The fair values of the following plan assets have been estimated using the NAV per share as of June 30, 2021 and 2020:

	2021	**2020**	**Redemption terms****	**Notice period (Days)**	**Remaining life****
Asset category:					
U.S. equity funds (a)	$ 124,655	106,339	Monthly–Quarterly	30–60	—
International equity funds (b)	142,293	152,270	Monthly	5–15	—
International emerging markets (c)	25,383	16,479	Semi-Monthly–Monthly	5–30	—
Fixed-income funds (d)	136,819	75,152	Daily–illiquid	2-illiquid	—
Hedge fund of funds (e)	179,770	159,166	Monthly–Illiquid	5-Illiquid	
Real asset funds (f)	—	192	Monthly	30	—
U.S. venture capital funds (g)	8,263	6,189	—	—	1–3 Years
U.S. private equity (g)	48,842	22,724	—	—	1–7 Years
International private equity (g)	42,265	26,895	—	—	1–10 Years
Natural resources (g)	6,082	4,668	—	—	1–8 Years
Real estate funds (g)	8,637	7,899	—	—	0–6 Years
Total	$ 723,009	577,973			

** Information reflects a range of various terms from multiple investments.

(In thousands)

(a) Objective is to drive overall portfolio growth while also outperforming the Russell 3000 Index with similar levels of risk.

(b) Objective is to drive overall portfolio growth while also outperforming MSCI EAFE Index (Net) with similar levels of risk.

(c) Objective is to drive overall portfolio growth while also outperforming the MSCI Emerging Markets Index (Net) with similar levels of risk.

(d) Objective is to ensure a liquid source of capital for spending and/or rebalancing during a period of economic contraction by investing primarily in high-quality bonds of sufficient duration.

(e) Objective is to reduce the volatility inherent in a portfolio with an equity bias while providing: 1) a return between that of equities and bonds, 2) lower volatility than equity markets, and 3) low correlation to other portfolio assets.

(f) Objective is to ensure a liquid source of capital for spending during periods of high, unanticipated inflation by investing in assets that tend to respond favorably in such an environment.

(g) Objective is to drive growth while capturing an "illiquidity premium" above that of public equity markets for locking up capital for an extended period of time.

At June 30, 2021, FMOLHS's remaining outstanding commitments to private equity interests within the plan assets totaled $60,380. The projected capital calls for the next three fiscal years and thereafter are summarized in the table below:

	Projected capital calls
Fiscal year:	
2022	$ 18,899
2023	17,291
2024	11,649
Thereafter	12,541
	$ 60,380

Private equity interests have 10-year terms, with extensions of 1 to 4 years. As of June 30, 2021, the average remaining life of the private equity interests in the plan assets is approximately 4.6 years.

At June 30, 2021, FMOLHS had plan assets of $272,254, which were restricted from redemption for lock-up periods. Some of the investments with redemption restrictions allow early redemption for specified fees. The terms and conditions upon which an investor may redeem an investment vary, usually requiring 30 to 180 days' notice after the initial lock-up period.

(Continued)

(In thousands)

Based upon the terms and conditions in effect at June 30, 2021, FMOLHS's plan assets investments with restrictions can be redeemed or sold as follows:

		Amount
Fiscal year:		
2022	$	264,624
2023		7,629
	$	272,253

As of June 30, 2021 and 2020, the Plans had accumulated benefit obligations (ABO) of $1,749,472 and $1,743,289, respectively. At June 30, 2021 and 2020, the fair value of plan assets falls short of the ABO by $530,541 and $705,744, respectively.

The estimated net loss and prior service cost that will be amortized from net assets without donor restrictions into net periodic benefit cost over the next fiscal year is $0 and $(10,792), respectively.

Future benefit payments expected to be paid in each of the next five fiscal years and five years thereafter as of June 30, 2021 are as follows:

2022	$	74,343
2023		69,985
2024		73,939
2025		77,063
2026		79,786
2027–2031		425,009

(b) Defined-Contribution Plans

In September of 2020, the System's Board of Directors approved the freezing of the plan, effective January 1, 2021, to include two types of employer contributions: an annual 2% of pay core contribution and an annual employer match of 50 cents for every dollar a team member contributes up to 6% of their pay. All employees of the FMOLHS affiliates meeting eligibility requirements may participate in this enhanced 403(b) plan and will qualify for the annual employer contribution if they work at least 1,000 hours in the calendar year and are actively employed as of the last day of the calendar year in which the employer contribution applies.

Contribution expense of $36,154 and $20,242 was recorded for the years ended June 30, 2021 and 2020, respectively.

(In thousands)

(c) Retiree Medical Plan

Lourdes offers partially subsidized healthcare benefits to employees who retired before June 30, 2006. Costs are accrued for this plan during the service lives of covered employees. Retirees contribute a portion of the self-funded cost of healthcare benefits and Lourdes contributes the remainder. The healthcare plan is funded on a pay-as-you-go basis. Lourdes retains the right to modify or terminate the benefits and/or cost-sharing provisions. The accrued liability for such benefits was approximately $240 and $255 at June 30, 2021 and 2020, respectively, and is included in other long-term liabilities.

(16) Other Long-Term Liabilities

The composition of other long-term liabilities at June 30, 2021 and 2020 is as follows:

	2021	2020
Purchase price obligation	$ 31,981	38,755
Derivative liability	—	9,344
Contract liability	28,522	29,195
Due to Franciscan Fund	61,006	46,215
Other	30,754	5,763
Medicare accelerated payments	52,121	—
	$ 204,384	129,272

(17) Functional Expenses

The FMOLHS Affiliates provide healthcare and other services to residents within its service area. Expenses related to providing these services for the years ended June 30, 2021 and 2020 are as follows:

2021	Educational	Fundraising	General and administrative	Healthcare services	HUD Program services	Total
Salaries and wages	$ 10,813	753	219,099	1,027,647	231	1,258,543
Employee benefits	2,706	110	43,043	165,162	67	211,088
Physician fees	—	—	9,042	150,308	—	159,350
Professional services	1	—	6,831	14,820	—	21,652
Other services	3,171	1,381	209,836	264,864	562	479,814
Leases, insurance, and utility	26	13	43,789	59,506	160	103,494
Supplies	589	295	4,880	658,208	59	664,031
Depreciation and amortization	476	2	50,071	100,972	421	151,942
Interest	—	—	33,444	2,135	—	35,579
Other	—	2,065	1,305	416	—	3,786
	$ 17,782	4,619	621,340	2,444,038	1,500	3,089,279

(In thousands)

2020		Educational	Fundraising	General and administrative	Healthcare services	Total
Salaries and wages	$	9,904	1,847	200,894	932,238	1,144,883
Employee benefits		1,331	46	52,217	186,917	240,511
Physician fees		—	—	9,164	141,981	151,145
Professional services		—	1	7,929	18,246	26,176
Other services		2,170	947	206,045	275,013	484,175
Leases, insurance, and utility		28	12	54,806	48,333	103,179
Supplies		533	297	24,192	579,367	604,389
Depreciation and amortization		457	1	50,331	102,236	153,025
Interest		—	—	36,312	1,232	37,544
Other		—	1,125	2,075	547	3,747
	$	14,423	4,276	643,965	2,286,110	2,948,774

(18) Availability of Resources and Liquidity

The System has $1,398,405 of financial assets available to meet cash needs for general expenditures within one year of the consolidated balance sheet date. Available financial assets consist of cash and cash equivalents of $1,105,141, short-term investments of $22,480, and patient accounts receivable, collectible within one year, of $270,784. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for expenditure within one year of the balance sheet date. The System has a goal to maintain cash and investments sufficient to cover operating expenses at levels that meet or exceed standards established by rating agencies for similar organizations. That goal is currently 200 days. With average daily operating expenses of approximately $3,000, the System's financial asset coverage is approximately 315 days. The System has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The System's cash position remains strong even with the continuation of the pandemic. The funding resources received by the System from the CARES Act included grant funds from general and targeted Provider Relief Funds, loans from Paycheck Protection Program (PPP) for qualifying nonprofit subsidiary companies that have potential for full forgiveness, and accelerated payments authorized by CMS and the Medicare Administrative Contractor (MAC). The PPP loan forgiveness was approved by the banks and are pending review by the SBA. The System has sufficient cash and cash equivalents to cover the scheduled CMS withholdings for the accelerated payments and the deferred payroll taxes due on December 31, 2021 and December 31, 2022.

(In thousands)

(19) Fair Value of Financial Instruments

The carrying amounts of all applicable asset and liability financial instruments reported in the consolidated balance sheets approximate their estimated fair values, in all significant respects, at June 30, 2021 and 2020.

(a) Fair Value Hierarchy

The following tables present the placement in the fair value hierarchy of assets and liabilities that are measured at fair value on a recurring basis as of June 30, 2021 and 2020:

	June 30, 2021			
	Level 1	Level 2	Level 3	Total
Assets category:				
Equity securities:				
U.S. equity	$ 131,840	—	—	131,840
Non-U.S. equity	59,097	—	—	59,097
Real assets	60,331	—	—	60,331
Fixed income	191,446	166,969	—	358,415
Total – categorized	$ 442,714	166,969	—	609,683
Assets limited as to use and short-term investments accounted for using the equity method and cash – uncategorized				995,134
				$ 1,604,817

(In thousands)

	June 30, 2020			
	Level 1	Level 2	Level 3	Total
Assets category:				
Equity securities:				
U.S. equity	$ 108,308	—	—	108,308
Non-U.S. equity	51,665	—	—	51,665
Real assets	40,012	—	—	40,012
Fixed income	66,542	123,421	—	189,963
Assets measured at NAV	—	—	—	73,162
Total – categorized	$ 266,527	123,421	—	463,110
Assets limited as to use and short-term investments accounted for using the equity method and cash – uncategorized				797,509
				$ 1,260,619
Liabilities:				
Interest rate swaps	$ —	—	—	9,344

The fair values of the following investments have been estimated using the NAV per share as of June 30, 2021 and 2020:

	2021	2020	Redemption terms**	Notice period (days)	Remaining life**
Asset category:					
International equity (a)	$ —	73,162	Monthly	5–15	—
Total	$ —	73,162			

** Information reflects a range of various terms from multiple investments.

(a) Objective is to drive overall portfolio growth while also outperforming MSCI EAFE Index (Net) with similar levels of risk.

FMOLHS's accounting policy is to recognize transfers between levels of the fair value hierarchy on the date of the event or change in circumstances that caused the transfer. There were no significant transfers into or out of Level 1, Level 2, or Level 3 for the years ended June 30, 2021 or 2020.

The investments classified as Level 2 are as follows:

- Shares or units in investment funds as opposed to direct interests in the funds' underlying holdings, which may be marketable. Because the NAV reported by each fund is used as a practical expedient to estimate the fair value of FMOLHS's interest therein, its classification in Level 2 is based on FMOLHS's ability to redeem its interest at or near the date of the consolidated balance sheets. If the interest can be redeemed in the near term, the investment is classified in Level 2. The classification of investments in the fair value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of each investment's underlying assets and liabilities.
- Bonds whose fair values are determined by independent vendors. The vendors compile prices from various sources and may apply matrix pricing for similar bonds or loans where no price is observable in an actively traded market. If available, the vendor may also use quoted prices for recent trading activity of assets with similar characteristics to the bond being valued.

(b) Limitations

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

(20) Insurance Programs

The FMOLHS Affiliates, excluding St. Dominic, are qualified under the State of Louisiana medical malpractice program and are self-insured for the first $100 of professional liability per occurrence; additional coverage is provided by the Louisiana Patients' Compensation Fund for the next $400 of professional liability up to the present statutory maximum of $500 per claim (exclusive of additional amounts for future medical expenses provided by law). FMOLHS's professional and general liability insurance program is managed through Louise, its wholly owned captive insurer. As of June 30, 2021, FMOLHS has excess insurance coverage in place for general and professional liability risks, with a $2,000 self-insured retention for professional liability and a $1,000 layer of self-insurance for general liability. A $6,000 aggregate sits above these limits, covering general and professional liability. Incurred losses identified under FMOLHS's incident reporting system and incurred but not reported losses are accrued based on estimates that incorporate FMOLHS's past experience, as well as other considerations, such as the nature of each claim or incident, relevant trend factors, and advice from consulting actuaries.

FMOLHS has established a self-insurance trust fund for payment of liability claims and makes deposits to the fund in amounts determined by consulting actuaries. FMOLHS also has substantial excess liability coverage available under the provisions of certain claims-made policies, currently expiring on June 30, 2021. To the extent that any claims-made coverage is not renewed or replaced with equivalent value insurance, claims based on occurrences during the term of such coverage, but reported subsequently, would be uninsured. Management believes, based on incidents identified through the incident reporting process that any such claims would not have a material effect on FMOLHS's results of operations or financial position. In any event, management anticipates that the claims-made coverage currently in place will be renewed or replaced with equivalent insurance as the term of such coverage expires.

St. Dominic Health Services is self-insured with respect to professional and general liability risks for the first $5,000 per occurrence and $11,000 in aggregate of medical malpractice risks. St. Dominic Health Services purchases commercial excess liability coverage through claims-made policies above the self-insurance limits. Professional liability reserves estimates represent the estimated ultimate cost of all reported and unreported losses incurred through the respective consolidated balance sheet date. The reserves for unpaid losses and loss expense are estimated using individual case basis valuations and actuarial analyses. Those estimates are subject to the effects of trends in loss severity and frequency. The estimates are continually reviewed, and adjustments are recorded as experience develops or new information becomes known. Although considerable variability is inherent in professional liability reserve estimates, St. Dominic Health Services believes the reserves for losses and loss expense are adequate based on information currently known.

The reserve for long-term estimated professional and general liability, and workers' compensation costs is approximately $62,471 and $58,823 as of June 30, 2021 and 2020, respectively, and is recorded in other long-term liabilities.

FMOLHS is also self-insured with respect to employee health coverage (up to $500 limit per claim) and workers' compensation (up to a limit of $500 per individual claim). Substantial coverage with a third-party carrier is maintained for potential excess losses under the workers' compensation program. The employee health self-insured reserves are approximately $10,228 and $16,768 as of June 30, 2021 and 2020, respectively, and are included in other current liabilities in the consolidated balance sheets. The workers' compensation reserves are approximately $18,796 and $16,996 as of June 30, 2021 and 2020, respectively, and are included in other current liabilities in the consolidated balance sheets.

(Continued)

(In thousands)

(21) Leases – Lessor

FMOLHS Affiliates lease office space and clinical facilities under operating leases. The terms of these leases range from month to month to 20 years. Assets held for lease at June 30, 2021 and 2020 consist of buildings and improvements with an original cost of $412,627 and $402,318, respectively, and fixed equipment with an original cost of $20,259 and $10,003, respectively. Total accumulated depreciation is $168,157 and $136,619 at June 30, 2021 and 2020, respectively. Future minimum lease payments to be received at June 30, 2021 are as follows:

Year ending June 30:		
2022	$	15,501
2023		12,771
2024		9,938
2025		7,445
2026		6,543
Thereafter		29,863
	$	82,061

(22) Leases – Lessee

The components of lease cost for the year ended June 30, 2021 were as follows:

		2021
Operating lease cost	$	23,275
Finance lease cost:		
Amortization of ROU assets		3,281
Interest on lease liabilities		1,144
Total finance lease cost		4,425
Variable lease cost		552
Short-term lease cost		47
Total lease cost	$	28,299

(In thousands)

Amounts reported in the consolidated balance sheet for our operating leases as of June 30, 2021 were as follows:

		2021
Operating leases:		
Operating lease ROU assets, net	$	54,732
Current portion of operating lease liabilities	$	15,899
Operating lease liabilities, less current portion		38,322
Total operating lease liabilities	$	54,221
Finance leases:		
Machinery and equipment	$	49,972
Accumulated depreciation		(4,059)
Property and equipment, net	$	45,913
Current portion of finance lease liabilities	$	2,143
Finance lease liabilities, less current portion		36,323
Total finance lease liabilities	$	38,466

Other information related to leases as of June 30, 2021 was as follows:

		2021
Supplemental cash flow information:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flow from operating leases	$	23,275
Operating cash flow from finance leases		4,425
ROU assets obtained in exchange for lease obligations:		
Operating leases		67,210
Finance leases		32,079
Reductions to ROU assets resulting from reductions to lease obligations:		
Operating leases		(6,928)
Finance leases		(1,186)
Weighted average remaining lease term:		
Operating leases		4.5 years
Finance leases		9.3 years
Weighted average discount rate:		
Operating leases		3.66 %
Finance leases		3.66

(Continued)

(In thousands)

Maturities of lease liabilities under noncancellable leases as of June 30, 2021 are as follows:

	Operating leases	Finance leases
Year ending June 30:		
2022	$ 20,708	6,083
2023	14,439	5,855
2024	11,024	5,618
2025	4,415	5,660
2026	2,601	3,918
Thereafter	6,479	40,853
Total undiscounted lease payments	59,666	67,987
Less imputed interest	(5,445)	(29,343)
Total lease liabilities	$ 54,221	38,644

(23) Commitments and Contingencies

(a) Investments

FMOLHS is obligated under certain limited partnership agreements to provide advance funding up to specific levels upon the request of the general partner. See note 3(b).

(b) Contingent Liabilities

FMOLHS and the FMOLHS Affiliates have certain pending and threatened litigation and claims incurred in the ordinary course of business; however, management believes that the probable resolution of such contingencies will not exceed the self-insurance reserves or insurance coverage, and will not materially affect the financial position or the results of operations.

(c) Regulatory Compliance

The U.S. Department of Justice and other federal agencies are increasing resources dedicated to regulatory investigations and compliance audits of healthcare providers. The FMOLHS Affiliates are subject to these regulatory efforts and have corporate compliance committees that monitor and respond to regulatory changes and any issues that may arise.

In consultation with legal counsel, management is not aware of any issues that could have a material adverse effect on the FMOLHS Affiliates' financial position or results of operations.

(Continued)

(24) Cooperative Endeavor Agreements

(a) Our Lady of the Lake Cooperative Endeavor Agreement

As part of its mission to ensure an appropriate supply of medical professionals in its service area and improve graduate medical education in the region, the Lake entered into an agreement with the State of Louisiana Department of Health and Hospitals (DHH) and Louisiana State University Health Sciences (LSU) in February 2010. The parties received associated governmental approval of the agreement from the CMS on July 13, 2010. Major components of the agreement are as follows:

- The Lake constructed a medical education building (MEB) to house LSU training programs (which was donated by the Lake to LSU at completion of construction), expanded its clinical capacity by 60 licensed beds, and implemented a Trauma Center. The Lake recorded $1,651 and $1,712 in other current liabilities in the consolidated balance sheets as of June 30, 2021 and 2020, respectively, to reflect its promise to give in accordance with relevant accounting literature, related to the MEB.

In addition to Medicaid claims payments, DHH provided payments under a reimbursement structure to the Lake, which are intended to compensate the Lake for incremental costs associated with higher Medicaid and uninsured patient volumes that have occurred with the Lake’s increased role in LSU’s graduate medical education program. The supplemental hospital payments received through June 30, 2021 were based on estimated costs for uninsured patients and other reimbursable cost provided under the agreement. For the years ended June 30, 2021 and 2020, the Lake recorded additional uninsured net patient service revenues less the estimate amounts for retroactive adjustments under the agreement of $84,258 and $76,493, respectively.

The Cooperative Endeavor Agreement was amended on April 10, 2013 to ensure viability of existing LSU Health outpatient facilities and patient care services and programs. The major components of the Lake’s amended agreement include:

- The Lake manages and operates the operations of LSU Health outpatient facilities. The reimbursement structure of the agreement was revised to include payment to the Lake for the operations of these facilities. Lease agreements were implemented for LSU Health outpatient facilities and equipment.
- GME program amendments were implemented for assignment of GME reimbursement caps.
- Clinical service agreements were implemented with LSU School of Medicine to provide professional services at the LSU Health clinics.
- For the years ended June 30, 2021 and 2020, the amount paid to LSU for leased building and equipment, GME faculty and resident expenses, and costs of clinical services associated with the Cooperative Endeavor Agreement was $59,600 and $56,444, respectively.

(Continued)

(b) Our Lady of Angels Cooperative Endeavor Agreement

Angels entered into an agreement with the DHH and LSU in January 2014. Angels receives disproportionate share payments and other supplemental payments from DHH to cover costs associated with higher Medicaid and uninsured patient volumes for this service area. The commencement date for patient care services for Angels was March 7, 2014. For the years ended June 30, 2021 and 2020, Angels recorded additional net patient service revenue of $36,069 and $32,082, respectively.

The major components of the Angels' agreement include:

- Angels leases facilities and equipment and manages the operations of the hospital and outpatient facilities.
- Angels agrees to continue the graduate medical education and training programs in Bogalusa, Louisiana.
- Angels established clinical services agreements, including the LSU School of Medicine, to provide professional services at the hospital and outpatient facilities.
- For the years ended June 30, 2021 and 2020, the amount paid to LSU for leased buildings and equipment, GME faculty and resident expenses, and costs of clinical services associated with the Cooperative Endeavor Agreement was $10,819 and $11,663, respectively.

(25) Subsequent Events

FMOLHS has evaluated subsequent events from the balance sheet date through October 26, 2021, the date at which the consolidated financial statements were available to be issued, and determined that there were no items to disclose.

(In thousands)

(26) U.S. Department of Education Financial Responsibility Standards Information

The System participates in federal Title IV student financial assistance programs, which require it to meet standards of financial responsibility based on criteria determined by the U.S. Department of Education (ED), as set forth in 34 CFR 668.171. The criteria include the annual calculation by ED of a financial responsibility composite score, as further outlined in 34 CFR 668.172, using audited financial statements submitted through ED's eZ-Audit system. The composite score has been and will continue to be based on three ratios: Primary Reserve, Equity, and Net Income. These ratios utilize the following financial data of the System, which are not otherwise presented in the consolidated financial statements or other notes to the consolidated financial statements, as of and for the year ended June 30, 2021:

Required input per standards	Ratio(s) uses	Input amount	Related financial statement amount not used as input on supplementary schedule
Prepaid expenses and other current assets – Unsecured related–party payable – reconciling item from Note (4)	Primary reserve and equity	$ (1,425)	2,537
Other current liabilities – post-employment and pension liabilities – reconciling item from Consolidating Schedule – Balance Sheet Information	Primary reserve	676	3,675
Net assets with donor restrictions – permanently restricted – reconciling item from Consolidating Schedule – Balance Sheet Information	Primary reserve	5,802	12,718
Inputs directly from Consolidating Schedule – Statement of Operations Information:			
Total operating expenses			24,702
Less other net assets without donor restrictions			5,445
Total expenses and losses without restrictions	Equity		$ 19,257

FRANCISCAN MISSIONARIES OF OUR LADY HEALTH SYSTEM, INC. AND AFFILIATED ORGANIZATIONS

Consolidating Schedule – Balance Sheet Information

June 30, 2021
(with comparative totals as of June 30, 2020)

(In thousands)

Assets	Franciscan Missionaries of Our Lady Health System, Inc. and subsidiaries	Franciscan Missionaries of Our Lady University, Inc.	Our Lady of the Lake Regional Medical Center, Inc. and affiliated organizations	St. Francis Medical Center Inc. and subsidiaries	Our Lady of Lourdes Regional Medical Center, Inc. and subsidiaries	Our Lady of the Angels Hospital	St Dominic	Eliminations	Total 2021	Total 2020
Current assets:										
Cash and cash equivalents	$ 841,149	12,920	510,426	89,260	176,965	32,512	132,934	(691,025)	1,105,141	839,694
Short-term investments	22,480	—	15,642	—	—	—	—	(15,642)	22,480	22,407
Net patient accounts receivables	(5,555)	—	143,095	27,702	47,966	(3,560)	61,136	—	270,784	248,065
Other current assets	(19,539)	2,537	162,908	18,402	34,756	10,600	22,836	(12,365)	220,135	192,234
Total current assets	838,535	15,457	832,071	135,364	259,687	39,552	216,906	(719,032)	1,618,540	1,302,400
Assets limited as to use, net of current portion	1,496,758	8,517	1,109,882	99,763	31,893	—	196,818	(1,397,689)	1,545,942	1,189,420
Property and equipment, net	83,625	2,060	915,523	99,730	260,770	19,375	332,890	—	1,713,973	1,647,286
Other assets	568,731	12,264	97,371	9,037	36,644	5,153	22,178	(532,605)	218,773	216,895
Total assets	$ 2,987,649	38,298	2,954,847	343,894	588,994	64,080	768,792	(2,649,326)	5,097,228	4,356,001
Liabilities and Net Assets										
Current liabilities:										
Lines of credit	$ 7,000	—	—	—	—	—	300	—	7,300	—
Current installments of long-term debt	—	—	2,682	656	970	—	4,025	—	8,333	21,164
Current portion of lease liabilities	895	48	7,942	—	3,341	3,354	2,462	—	18,042	3,120
Accounts payable	59,210	93	72,751	12,989	16,581	5,446	33,658	(11,503)	189,225	168,371
Other current liabilities	61,539	3,675	241,202	48,406	76,024	11,433	63,038	(865)	504,452	592,729
Total current liabilities	128,644	3,816	324,577	62,051	96,916	20,233	103,483	(12,368)	727,352	785,384
Professional and general liabilities, excluding current portion	36,788	—	19,470	4,345	8,868	246	26,525	(33,771)	62,471	58,823
Long-term debt, excluding current installments	17,152	—	541,077	114,946	223,218	—	38,232	—	934,625	912,686
Lease liabilities, excluding current portion	5,372	—	47,696	412	4,981	8,696	7,488	—	74,645	10,564
Accrued pension cost	27	—	315,954	65,610	87,584	—	61,366	—	530,541	718,110
Other long-term liabilities	2,204,233	281	42,356	11,777	14,198	3,407	32,488	(2,104,356)	204,384	129,272
Total liabilities	2,392,216	4,097	1,291,130	259,141	435,765	32,582	269,582	(2,150,495)	2,534,018	2,614,839
Net assets:										
Without donor restrictions	595,410	21,483	1,630,493	84,322	140,463	31,498	482,593	(498,828)	2,487,434	1,653,659
With donor restrictions	23	12,718	19,732	431	6,235	—	15,400	(3)	54,536	56,498
Total net assets attributable to Franciscan Missionaries of Our Lady Health System, Inc.	595,433	34,201	1,650,225	84,753	146,698	31,498	497,993	(498,831)	2,541,970	1,710,157
Noncontrolling interests	—	—	13,492	—	6,531	—	1,217	—	21,240	31,005
Total net assets	595,433	34,201	1,663,717	84,753	153,229	31,498	499,210	(498,831)	2,563,210	1,741,162
Total liabilities and net assets	$ 2,987,649	38,298	2,954,847	343,894	588,994	64,080	768,792	(2,649,326)	5,097,228	4,356,001

See accompanying independent auditors' report.

Schedule 2

FRANCISCAN MISSIONARIES OF OUR LADY HEALTH SYSTEM, INC. AND AFFILIATED ORGANIZATIONS

Consolidating Schedule – Statement of Operations Information

Year ended June 30, 2021
(with comparative totals for the year ended June 30, 2020)

(In thousands)

	Franciscan Missionaries of Our Lady Health System, Inc. and subsidiaries	Franciscan Missionaries of Our Lady University, Inc.	Our Lady of the Lake Regional Medical Center, Inc. and affiliated organizations	St. Francis Medical Center, Inc. and subsidiaries	Our Lady of Lourdes Regional Medical Center, Inc. and subsidiaries	Our Lady of the Angels Hospital	St Dominic	Eliminations	Total 2021	Total 2020
Changes in net assets without donor restrictions										
Operating revenues:										
Net patient service revenue	$ (800)	—	1,515,690	304,079	480,421	74,944	547,289	—	2,921,623	2,740,213
Other revenue	445,324	28,701	140,047	37,700	23,004	9,937	69,916	(348,761)	405,868	239,261
Equity in income from equity investees, net	102,995	—	8,440	393	3,823	—	780	(101,393)	15,038	16,364
Total unrestricted revenues	547,519	28,701	1,664,177	342,172	507,248	84,881	617,985	(450,154)	3,342,529	2,995,838
Net assets released from restrictions used for operations:										
Satisfaction of program restrictions	—	1,452	2,685	16	605	—	330	—	5,088	11,321
Expiration of time restrictions	—	—	235	—	—	—	—	—	235	220
Total net assets released from restrictions used for operations	—	1,452	2,920	16	605	—	330	—	5,323	11,541
Total unrestricted revenues and other support	547,519	30,153	1,667,097	342,188	507,853	84,881	618,315	(450,154)	3,347,852	3,007,379
Operating expenses:										
Salaries and wages	110,386	13,027	578,169	122,978	164,625	28,454	240,904	—	1,258,543	1,144,883
Employee benefits	25,877	3,357	96,148	20,383	28,804	5,290	31,229	—	211,088	240,511
Total salaries, wages, and benefits	136,263	16,384	674,317	143,361	193,429	33,744	272,133	—	1,469,631	1,385,394
Physician fees	726	—	74,844	4,481	19,457	7,053	52,789	—	159,350	151,145
Professional services	4,247	136	6,793	10,318	63	82	208	(195)	21,652	26,176
Other services	149,066	4,805	343,540	69,917	84,924	17,486	70,306	(260,230)	479,814	484,175
Leases, insurance, and utilities	25,576	2,167	37,127	9,134	17,135	7,297	18,081	(13,023)	103,494	103,179
Supplies	116,094	717	324,097	59,780	105,290	5,312	128,057	(75,316)	664,031	604,389
Depreciation and amortization	39,220	496	64,238	11,593	14,834	713	20,848	—	151,942	153,025
Interest	964	(5)	20,737	4,223	7,945	(4)	1,719	—	35,579	37,544
Other	1,138	—	1,691	333	616	8	—	—	3,786	3,747
Total operating expenses	473,294	24,700	1,547,384	313,140	443,693	71,691	564,141	(348,764)	3,089,279	2,948,774
Operating income before impairment and gain on sale	74,225	5,453	119,713	29,048	64,160	13,190	54,174	(101,390)	258,573	58,605
Impairment	—	—	(600)	(5,412)	—	—	—	—	(6,012)	(14,473)
Gain on sale	—	—	45,192	14,242	9,214	2,594	—	—	71,242	—
Operating income	$ 74,225	5,453	164,305	37,878	73,374	15,784	54,174	(101,390)	323,803	44,132

(Continued)

Schedule 2

FRANCISCAN MISSIONARIES OF OUR LADY HEALTH SYSTEM, INC. AND AFFILIATED ORGANIZATIONS

Consolidating Schedule – Statement of Operations Information

Year ended June 30, 2021
(with comparative totals for the year ended June 30, 2020)

(In thousands)

	Franciscan Missionaries of Our Lady Health System, Inc. and subsidiaries	Franciscan Missionaries of Our Lady University, Inc.	Our Lady of the Lake Regional Medical Center, Inc. and affiliated organizations	St. Francis Medical Center, Inc. and subsidiaries	Our Lady of Lourdes Regional Medical Center, Inc. and subsidiaries	Our Lady of the Angels Hospital	St Dominic	Eliminations	Total 2021	Total 2020
Nonoperating gains:										
Investment return	$ 2,493	1,919	259,641	23,432	7,481	35	44,212	—	339,213	17,486
Inherent contribution	—	—	—	—	—	—	—	—	—	353,239
Other	—	—	(6,645)	167	(81)	—	—	—	(6,559)	(328)
Change in fair value of interest rate swap agreement	1,774	—	—	—	—	—	—	—	1,774	(853)
Total nonoperating gains, net	4,267	1,919	252,996	23,599	7,400	35	44,212	—	334,428	369,544
Revenues, gains, and other support in excess of expenses and losses	78,492	7,372	417,301	61,477	80,774	15,819	98,386	(101,390)	658,231	413,676
Noncontrolling interests	—	—	(1,393)	—	(781)	—	(122)	—	(2,296)	4,505
Revenues, gains, and other support in excess of expenses and losses attributable to FMOLHS	78,492	7,372	415,908	61,477	79,993	15,819	98,264	(101,390)	655,935	418,181
Pension-related changes other than net periodic pension cost	—	—	99,547	21,034	24,981	—	5,767	—	151,329	(125,608)
Released from restrictions for capital	—	—	2,001	485	4,449	—	6,360	—	13,295	38,939
Capital transfers	47,040	5,445	(29,683)	(7,771)	(10,165)	(3,629)	(6,778)	—	(5,541)	(13,904)
Contributions for capital	823	—	17,519	415	—	—	—	—	18,757	—
Increase in net assets without donor restrictions	$ 126,355	12,817	505,292	75,640	99,258	12,190	103,613	(101,390)	833,775	317,608

See accompanying independent auditors' report.

Schedule 3

FRANCISCAN MISSIONARIES OF OUR LADY HEALTH SYSTEM, INC. AND AFFILIATED ORGANIZATIONS

Consolidating Schedule – Statement of Changes in Net Assets Information

Year ended June 30, 2021
(with comparative totals for the year ended June 30, 2020)

(In thousands)

	Franciscan Missionaries of Our Lady Health System, Inc. and subsidiaries	Franciscan Missionaries of Our Lady University, Inc.	Our Lady of the Lake Regional Medical Center, Inc. and affiliated organizations	St. Francis Medical Center, Inc. and subsidiaries	Our Lady of Lourdes Regional Medical Center, Inc. and subsidiaries	Our Lady of the Angels Hospital	St Dominic	Eliminations	Total 2021	Total 2020
Changes in net assets without donor restrictions:										
Revenues, gains, and other support in excess of expenses and losses attributable to Franciscan Missionaries of Our Lady Health System	$ 78,492	7,372	415,908	61,477	79,993	15,819	98,264	(101,390)	655,935	418,181
Pension-related changes other than the service cost component	—	—	99,547	21,034	24,981	—	5,767	—	151,329	(125,608)
Released from restrictions for capital	—	—	2,001	485	4,449	—	6,360	—	13,295	38,939
Capital transfers	47,040	5,445	(29,683)	(7,771)	(10,165)	(3,629)	(6,778)	—	(5,541)	(13,904)
Contributions for capital	823	—	17,519	415	—	—	—	—	18,757	—
Increase in net assets without donor restrictions	126,355	12,817	505,292	75,640	99,258	12,190	103,613	(101,390)	833,775	317,608
Changes in net assets with donor restrictions restricted net assets:										
Contributions	—	3,425	7,617	656	619	—	4,337	—	16,654	13,772
Income from long-term investments, net	—	—	2	—	—	—	—	—	2	110
Acquired net assets	—	—	—	—	—	—	—	—	—	16,161
Other	—	(1,452)	(4,920)	(502)	(5,054)	—	(6,690)	—	(18,618)	(50,480)
Decrease in net assets with donor restrictions	—	1,973	2,699	154	(4,435)	—	(2,353)	—	(1,962)	(20,437)
Changes in noncontrolling interest:										
Revenues, gains, and other support in excess of expenses and losses attributable to Franciscan Missionaries of Our Lady Health System	—	—	1,393	—	781	—	123	—	2,297	(4,505)
Distributions	—	—	(1,398)	—	(991)	—	—	—	(2,389)	(3,731)
Acquired noncontrolling interest	—	—	(9,683)	—	—	—	—	—	(9,683)	1,048
Other	—	—	—	—	—	—	10	—	10	(91)
Decrease in noncontrolling interest	—	—	(9,688)	—	(210)	—	133	—	(9,765)	(7,279)
Increase in net assets	126,355	14,790	498,303	75,794	94,613	12,190	101,393	(101,390)	822,048	289,892
Net assets, beginning of year	469,078	19,411	1,165,414	8,959	58,616	19,308	397,817	(397,441)	1,741,162	1,451,270
Net assets, end of year	$ 595,433	34,201	1,663,717	84,753	153,229	31,498	499,210	(498,831)	2,563,210	1,741,162

See accompanying independent auditors' report.

Schedule 4

FRANCISCAN MISSIONARIES OF OUR LADY HEALTH SYSTEM, INC. AND AFFILIATED ORGANIZATIONS

Supplementary Schedule of Financial Responsibility Data

Year ended June 30, 2021

(In thousands)

Primary reserve ratio:			
Expendable net assets:			
Consolidating Schedule – Balance Sheet Information – Schedule 1	Net assets without donor restrictions	$	21,483
Consolidating Schedule – Balance Sheet Information – Schedule 1	Net assets with donor restrictions		12,718
Notes to consolidated financial statements – Note (26) – Financial Responsibility Standards – prepaid expenses and other current assets	Unsecured related-party payable		(1,425)
Consolidating Schedule – Balance Sheet Information – Schedule 1	Property and equipment, net		2,060
Notes to consolidated financial statements – Note (26) – Financial Responsibility Standards – other current liabilities	Postemployment and pension liabilities		676
Consolidating Schedule – Balance Sheet Information – Note (26) – Financial Responsibility Standards – Net assets with donor restrictions	Net assets with donor restrictions: restricted in perpetuity		5,802
Total expenses and losses:			
Consolidating Schedule – Balance Sheet Information – Note (26) – Financial Responsibility Standards – Total expenses and losses without restrictions	Total expenses and losses without donor restrictions		19,257
Equity ratio:			
Modified net assets:			
Consolidating Schedule – Balance Sheet Information – Schedule 1	Net assets without donor restrictions	$	21,483
Consolidating Schedule – Balance Sheet Information – Schedule 1	Net assets with donor restrictions		12,718
Notes to consolidated financial statements – Note (26) – Financial Responsibility Standards prepaid expenses and other current assets	Unsecured related-party payable		(1,425)
Modified assets:			
Consolidating Schedule – Balance Sheet Information – Schedule 1	Total assets		38,298
Notes to consolidated financial statements – Note (26) – Financial Responsibility Standards prepaid expenses and other current assets	Unsecured related-party payable		(1,425)
Net income ratio:			
Change in net assets without donor restrictions:			
Consolidating Schedule – Statement of Operations Information – Schedule 2	Change in net assets without donor restrictions	$	12,815
Total revenue without donor restrictions and gains without donor restrictions:			
Consolidating Schedule – Statement of Operations Information – Schedule 2	Total operating revenues and other support		30,153
Consolidating Schedule – Statement of Operations Information – Schedule 2	Investment return		1,919

See accompanying independent auditors' report.