

CONSOLIDATED FINANCIAL STATEMENTS  
INCLUDING UNIFORM GUIDANCE REPORTS  
AND SCHEDULES

Ascension Health Alliance  
d/b/a Ascension  
Years Ended June 30, 2019 and 2018  
With Reports of Independent Auditors

Ernst & Young LLP



# Ascension

## Consolidated Financial Statements Including Uniform Guidance Reports and Schedules

Years Ended June 30, 2019 and 2018

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## Report of Independent Auditors

The Board of Directors  
Ascension Health Alliance d/b/a Ascension

We have audited the accompanying consolidated financial statements of Ascension Health Alliance d/b/a Ascension, which comprise the consolidated balance sheets as of June 30, 2019 and 2018, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of Ascension Health Alliance d/b/a Ascension at June 30, 2019 and 2018, and the consolidated results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

## Supplementary Information

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

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated September 11, 2019, on our consideration of Ascension Health Alliance d/b/a Ascension's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Ascension Health Alliance d/b/a Ascension'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 Ascension Health Alliance d/b/a Ascension's internal control over financial reporting and compliance.

*Ernst + Young LLP*

September 11, 2019, except for the schedule  
of expenditures of federal and state of  
Wisconsin awards and Consolidated Year-End  
Financial Reports, for which the date is  
April 28, 2020

# Ascension

## Consolidated Balance Sheets (Dollars in Thousands)

	June 30,	
	2019	2018
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 896,262	\$ 850,958
Short-term investments	92,072	83,166
Accounts receivable	3,172,747	3,163,172
Inventories	409,129	414,169
Due from brokers (see Notes 4 and 5)	324,977	91,919
Estimated third-party payor settlements	178,556	129,693
Other (see Notes 4 and 5)	959,477	780,713
Total current assets	6,033,220	5,513,790
Long-term investments (see Notes 4 and 5)	19,786,061	19,404,559
Property and equipment, net	10,851,422	10,597,730
Other assets:		
Investment in unconsolidated entities	1,233,209	1,139,306
Capitalized software costs, net	641,533	793,322
Other (see Notes 4 and 5)	1,173,051	1,078,905
Total other assets	3,047,793	3,011,533
Total assets	<u>\$ 39,718,496</u>	<u>\$ 38,527,612</u>

Continued on next page.

# Ascension

## Consolidated Balance Sheets (continued) (Dollars in Thousands)

	June 30,	
	2019	2018
<b>Liabilities and net assets</b>		
Current liabilities:		
Current portion of long-term debt	\$ 125,577	\$ 100,919
Long-term debt subject to short-term remarketing arrangements*	1,043,150	738,770
Accounts payable and accrued liabilities (see Notes 4 and 5)	2,951,322	2,915,838
Estimated third-party payor settlements	599,959	683,229
Due to brokers (see Notes 4 and 5)	369,213	253,264
Current portion of self-insurance liabilities	269,561	288,975
Other	465,499	407,496
Total current liabilities	5,824,281	5,388,491
Noncurrent liabilities:		
Long-term debt (senior and subordinated)	6,760,464	7,123,611
Self-insurance liabilities	675,860	756,028
Pension and other postretirement liabilities	1,580,867	914,045
Other (see Notes 4 and 5)	1,352,740	1,227,680
Total noncurrent liabilities	10,369,931	10,021,364
Total liabilities	16,194,212	15,409,855
Net assets:		
Without donor restrictions:		
Controlling interest	20,776,747	20,446,065
Noncontrolling interests	1,988,121	1,930,466
Total net assets without donor restrictions	22,764,868	22,376,531
Net assets with donor restrictions	759,416	741,226
Total net assets	23,524,284	23,117,757
Total liabilities and net assets	\$ 39,718,496	\$ 38,527,612

\*Consists of variable rate demand bonds with put options that may be exercised at the option of the bondholders, with stated repayment installments through 2047, as well as certain serial mode bonds with scheduled remarketing/mandatory tender dates occurring prior to June 30, 2020. In the event that bonds are not remarketed upon the exercise of put options or the scheduled mandatory tenders, management would utilize other sources to access the necessary liquidity. Potential sources include liquidating investments, a draw on the line of credit totaling \$1 billion, and issuing commercial paper. The commercial paper program is supported by \$300 million of the \$1 billion line of credit.

The accompanying notes are an integral part of the consolidated financial statements.

# Ascension

## Consolidated Statements of Operations and Changes in Net Assets (Dollars in Thousands)

	Year Ended June 30,	
	2019	2018
Operating revenue:		
Net patient service revenue	\$ 23,706,590	\$ 21,665,860
Other revenue	1,616,217	1,493,096
Total operating revenue	25,322,807	23,158,956
Operating expenses:		
Salaries and wages	10,133,885	9,407,216
Employee benefits	1,996,444	1,856,103
Purchased services	2,730,431	2,320,700
Professional fees	1,306,585	1,258,652
Supplies	3,721,362	3,387,222
Insurance	288,598	237,275
Interest	268,338	238,981
Provider tax	629,983	531,703
Depreciation and amortization	1,212,908	1,132,378
Other	2,499,162	2,518,918
Total operating expenses before impairment, restructuring and nonrecurring losses, net	24,787,696	22,889,148
Income from operations before self-insurance trust fund investment return and impairment, restructuring and nonrecurring losses, net	535,111	269,808
Self-insurance trust fund investment return	24,554	28,000
Income from recurring operations	559,665	297,808
Impairment, restructuring and nonrecurring losses, net	(177,157)	(193,047)
Income from operations	382,508	104,761
Nonoperating gains (losses):		
Investment return, net	1,108,597	1,589,337
Contributions from business combinations	26,025	734,127
Other	(112,774)	(53,239)
Total nonoperating gains (losses), net	1,021,848	2,270,225
Excess of revenues and gains over expenses and losses	1,404,356	2,374,986
Less noncontrolling interests	177,741	213,948
Excess of revenues and gains over expenses and losses attributable to controlling interest	1,226,615	2,161,038

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# Ascension

## Consolidated Statements of Operations And Changes in Net Assets (continued) (Dollars in Thousands)

	Year Ended June 30,	
	2019	2018
Net assets without donor restrictions, controlling interest:		
Excess of revenues and gains over expenses and losses	\$ 1,226,615	\$ 2,161,038
Transfers to sponsors and other affiliates, net	(4,958)	(5,189)
Net assets released from restrictions for property acquisitions	69,958	51,458
Pension and other postretirement liability adjustments	(956,059)	313,638
Change in unconsolidated entities' net assets	4,242	1,612
Other	(12,289)	5,740
Increase in net assets without donor restrictions, controlling interest	327,509	2,528,297
Gain (loss) from discontinued operations	3,173	(16,155)
Increase in net assets without donor restrictions, controlling interest	330,682	2,512,142
Net assets without donor restrictions, noncontrolling interest:		
Excess of revenues and gains over expenses and losses	177,741	213,948
Net distributions of capital	(133,501)	(57,689)
Membership interest changes, net	18,603	(27,653)
Contributions from business combinations	-	5,478
Other	(5,188)	(1,979)
Increase in net assets without donor restrictions, noncontrolling interests	57,655	132,105
Net assets with donor restrictions:		
Contributions and grants	120,536	109,466
Investment return	19,595	27,398
Net assets released from restrictions	(118,869)	(104,873)
Contributions from business combinations	-	31,350
Other	(3,072)	(3,955)
Increase in net assets with donor restrictions	18,190	59,386
Increase in net assets	406,527	2,703,633
Net assets, beginning of year	23,117,757	20,414,124
Net assets, end of year	<u>\$ 23,524,284</u>	<u>\$ 23,117,757</u>

*The accompanying notes are an integral part of the consolidated financial statements.*



# Ascension

## Consolidated Statements of Cash Flows (Dollars in Thousands)

	Year Ended June 30,	
	2019	2018
<b>Operating activities</b>		
Increase in net assets	\$ 406,527	\$ 2,703,633
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,212,908	1,132,378
Amortization of bond premiums and debt issuance costs	(23,881)	(18,814)
Loss on extinguishment of debt	100	9,850
Pension and other postretirement liability adjustments	956,059	(313,638)
Contributions from business combinations	(17,938)	(770,955)
Unrealized (gains) losses on investments, net	(494,356)	(506,736)
Change in fair value of interest rate swaps	27,459	(49,019)
Change in equity of unconsolidated entities	(188,337)	(95,224)
Gain on sale of assets, net	(35,262)	(34,796)
Impairment and nonrecurring expenses	7,780	11,482
Transfers to sponsor and other affiliates, net	4,958	5,189
Donor restricted contributions, investment return and other	(132,339)	(152,401)
Other restricted activity	1,405	(31,988)
Distributions of noncontrolling interest, net	133,501	57,689
Other	(273)	(234)
Increase (decrease) in:		
Short-term investments	(8,906)	64,739
Accounts receivable	(49,101)	(63,629)
Inventories and other current assets	49,825	43,202
Due from brokers	(233,058)	105,276
Investments classified as trading	85,377	(1,170,443)
Other assets	(86,800)	(134,160)
Increase (decrease) in:		
Accounts payable and accrued liabilities	68,556	(153,406)
Estimated third-party payor settlements, net	(129,989)	31,963
Due to brokers	115,949	137,481
Other current liabilities	38,125	35,633
Self-insurance liabilities	(99,582)	(30,182)
Other noncurrent liabilities	(194,891)	(196,950)
Net cash provided by continuing operating activities	1,413,816	615,940
Net cash provided by discontinued operations	14,278	14,540
Net cash provided by operating activities	1,428,094	630,480

Continued on next page.

# Ascension

## Consolidated Statements of Cash Flows (Dollars in Thousands)

	Year Ended June 30,	
	2019	2018
<b>Investing activities</b>		
Property, equipment, and capitalized software additions, net	(1,447,151)	\$ (1,170,085)
Proceeds from sale of property and equipment	44,076	15,335
Distributions from unconsolidated entities, net	99,148	208,663
Net proceeds from sale/acquisition of other assets	12,500	298,825
Net cash used in investing activities	(1,291,427)	(647,262)
<b>Financing activities</b>		
Issuance of debt	225,236	695,501
Repayment of debt	(312,502)	(789,442)
Debt issuance costs paid	(573)	(3,091)
Decrease in assets under bond indenture agreements	2,596	15,869
Transfers to sponsors and other affiliates, net	(4,958)	(5,189)
Donor restricted contributions, investment return, and other	132,339	154,176
Distributions of noncontrolling interest, net	(133,501)	(57,689)
Net cash (used in) provided by financing activities	(91,363)	10,135
Net increase (decrease) in cash and cash equivalents	45,304	(6,647)
Cash and cash equivalents at beginning of year	850,958	857,605
Cash and cash equivalents at end of year	\$ 896,262	\$ 850,958

*The accompanying notes are an integral part of the consolidated financial statements.*

# Ascension

## Notes to Consolidated Financial Statements (Dollars in Thousands)

June 30, 2019

### 1. Organization and Mission

#### Organizational Structure

Ascension Health Alliance, d/b/a Ascension (Ascension), is a Missouri nonprofit corporation formed on September 13, 2011. Ascension is the sole corporate member and parent organization of Ascension Health (d/b/a Ascension Healthcare), a Catholic national health system consisting primarily of nonprofit corporations that own and operate local healthcare facilities, or Ministry Markets, located in 21 states and the District of Columbia.

Ascension serves as the member or shareholder of various subsidiaries as listed below:

- Ascension Care Management
- AscensionConnect
- Ascension Global Mission
- Ascension Healthcare
- Ascension Holdings
- Ascension Technologies
- Ascension Investment Management (AIM)
- Ascension Leadership Academy
- Ascension Associate Assistance Fund
- Ascension Ministry Service Center
- Ascension Ventures (AV)
- AV Holding Company
- Consulting Network
- The Resource Group
- Smart Health Solutions

Ascension is also the majority investor in Ascension Alpha Fund, LLC (Alpha Fund) as discussed in the Pooled Investment Fund note. Ascension and its member organizations are hereafter referred to collectively as the System.

## Ascension

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### 1. Organization and Mission (continued)

##### **Sponsorship**

Ascension is sponsored by Ascension Sponsor, a Public Juridic Person. The Participating Entities of Ascension Sponsor are the Daughters of Charity of St. Vincent de Paul, St. Louise Province; the Congregation of St. Joseph; the Congregation of the Sisters of St. Joseph of Carondelet; the Congregation of Alexian Brothers of the Immaculate Conception Province, Inc. – American Province; and the Sisters of the Sorrowful Mother of the Third Order of St. Francis of Assisi – US/Caribbean Province.

##### **Mission**

The System directs its governance and management activities toward strong, vibrant, Catholic Ministries united in service and healing, and dedicates its resources to spiritually centered care which sustains and improves the health of the individuals and communities it serves. In accordance with the System's mission of service to those persons living in poverty and other vulnerable persons, each Ministry Market accepts patients regardless of their ability to pay. The System uses four categories to identify the resources utilized for the care of persons living in poverty and community benefit programs:

- Traditional charity care includes the cost of services provided to persons who cannot afford healthcare because of inadequate resources and/or who are uninsured or underinsured.
- Unpaid cost of public programs, excluding Medicare, represents the unpaid cost of services provided to persons covered by public programs for persons living in poverty and other vulnerable persons.
- Cost of other programs for persons living in poverty and other vulnerable persons includes unreimbursed costs of programs intentionally designed to serve the persons living in poverty and other vulnerable persons of the community, including substance abusers, the homeless, victims of child abuse, and persons with acquired immune deficiency syndrome.
- Community benefit consists of the unreimbursed costs of community benefit programs and services for the general community, not solely for the persons living in poverty, including health promotion and education, health clinics and screenings, and medical research.

## Ascension

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### 1. Organization and Mission (continued)

Discounts are provided to all uninsured and underinsured patients, including those with the means to pay. Discounts provided to those patients who did not qualify for financial assistance are not included in the cost of providing care of persons living in poverty and other community benefit programs. The cost of providing care to persons living in poverty and other community benefit programs is estimated by reducing charges forgone by a factor derived from the ratio of each entity's total operating expenses to the entity's billed charges for patient care. Certain costs such as graduate medical education and certain other activities are excluded from total operating expenses for purposes of this computation.

The amount of traditional charity care provided, determined on the basis of cost, was \$605,987 and \$576,267 for the year ended June 30, 2019 and 2018, respectively. The amount of unpaid cost of public programs, cost of other programs for persons living in poverty and other vulnerable persons, and community benefit cost is reported in the accompanying supplementary information.

#### 2. Significant Accounting Policies

##### Principles of Consolidation

All corporations and other entities for which operating control is exercised by the System or one of its member corporations are consolidated, and all significant inter-entity transactions have been eliminated in consolidation. Investments in entities where the System does not have operating control are recorded under the equity or cost method of accounting. Income from unconsolidated entities is included in consolidated excess of revenues and gains over expenses and losses in the accompanying Consolidated Statements of Operations and Changes in Net Assets as follows:

	<b>Year Ended June 30,</b>	
	<b>2019</b>	<b>2018</b>
Other revenue	<b>\$ 181,427</b>	\$ 106,584
Nonoperating gains	<b>8,019</b>	5,248

##### Use of Estimates

Management has made estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues, and expenses. Actual results could differ from those estimates.

## Ascension

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

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

##### Fair Value of Financial Instruments

Carrying values of financial instruments classified as current assets and current liabilities approximate fair value. The fair values of financial instruments measured at fair value are disclosed in the Fair Value Measurements note.

##### New Accounting Standards Adopted

The System adopted Financial Accounting Standards Board (FASB) Accounting Standard Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)* using the full retrospective method of application, and our accounting policies related to revenues were revised accordingly effective July 1, 2018, as discussed below. The most significant impact of adopting the new standard is to the presentation of the System's Consolidated Statements of Operations and Changes in Net Assets, where the provision for doubtful accounts is no longer a separate line item and net patient service revenue is presented net of estimated implicit price concessions (formerly referred to as bad debt allowance). While the standard requires disclosure of the aggregate amount of transaction price allocated to performance obligations that are partially satisfied at the end of the reporting period and adjustments of expected consideration from patients and third party payors for the effects of any financing components, management elected not to disclose as the effects of both are not considered significant. The adoption of the new standard did not have an impact on the System's recognition of net revenues for any periods prior to adoption and eliminated the presentation of the allowance for doubtful accounts on the Consolidated Balance Sheets.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This ASU is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance and cash flows. In adoption of the standard, Ascension revised the disclosures of net assets with and without donor restrictions, liquidity resources, presentation of investment income, net of investment expenses, and presentation of expenses by both their natural and functional classification. On July 1, 2018, this standard was adopted by the System on a retrospective basis. The prior period consolidated financial statements presented were adjusted to reflect the changes in net assets with and without donor restrictions.

## Ascension

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

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

##### **New Accounting Standards Not Yet Adopted**

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*, and a related ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, in July 2018. The guidance in these ASUs requires the rights and obligations arising from all lease contracts to be recognized as assets and liabilities on the balance sheet and provides an option to apply the guidance on an entity's effective date instead of the earliest comparative period presented in the entity's financial statements. This standard is effective for the System, beginning July 1, 2019. The System is finalizing its analysis of certain key assumptions that will be utilized to transition to this guidance on the effective date, including discount rates. The primary effect of adopting this guidance will be the recognition of right-of-use assets and obligations for current operating leases.

In March 2017, the FASB issued ASU 2017-07, *Compensation – Retirement Benefits (Topic 715)*. This standard is effective for the System, beginning July 1, 2019. This ASU changes how employers that sponsor defined benefit pension and post-retirement benefit plans present the cost of the benefits in the consolidated statements of operations and changes in net assets. The service cost component of net periodic benefit cost related to these plans will be reported in the same financial statement line as other compensation costs arising from services rendered during the period. The other components of net periodic benefit cost are required to be presented separately from service cost and outside of operating income.

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

Cash and cash equivalents consist of cash and interest-bearing deposits with original maturities of three months or less.

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

Short-term investments consist of investments with original maturities exceeding three months and up to one year.

##### **Inventories**

Inventories, consisting primarily of medical supplies and pharmaceuticals, are stated at the lower of cost or market value using first-in, first-out (FIFO) or a methodology that closely approximates FIFO.

## Ascension

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

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

##### **Long-Term Investments and Investment Return**

Investments, excluding investments in unconsolidated entities, are measured at fair value, are classified as trading securities, and include pooled short-term investment funds; U.S. government, state, municipal and agency obligations; corporate and foreign fixed income securities; asset-backed securities; and equity securities. Investments also include alternative investments and other investments which are valued based on the net asset value of the investments, as further discussed in the Fair Value Measurements note. Investments also include derivatives held by the Alpha Fund, also measured at fair value, as discussed in the Pooled Investment Fund note.

Long-term investments include assets limited as to use of approximately \$1,343,000 and \$1,391,000 at June 30, 2019 and June 30, 2018, respectively, comprised primarily of investments placed in trust and held by captive insurance companies for the payment of self-insured claims and investments which are limited as to use, as designated by donors.

Purchases and sales of investments are accounted for on a trade-date basis. Investment returns consist of dividends, interest, and gains and losses. The cost of substantially all securities sold is based on the FIFO method. Investment returns, excluding returns of self-insurance trust funds, are reported as nonoperating gains (losses) in the Consolidated Statements of Operations and Changes in Net Assets, unless the return is restricted by donor or law. Investment returns of self-insurance trust funds are reported as a separate component of income from operations in the Consolidated Statements of Operations and Changes in Net Assets.

##### **Property and Equipment**

Property and equipment are stated at cost or, if donated, at fair market value at the date of the gift. Depreciation is determined on a straight-line basis over the estimated useful lives of the related assets. The range of estimated useful lives used in computing depreciation is as follows: buildings and leasehold improvements, 2 to 40 years; and equipment, 2 to 20 years. Depreciation expense for the year ended June 30, 2019 and 2018 was \$986,864 and \$900,676, respectively.



## Ascension

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

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

A summary of property and equipment is as follows:

	June 30, 2019	June 30, 2018
Land and improvements	\$ 1,256,944	\$ 1,252,833
Buildings and equipment	19,309,205	18,684,610
	<u>20,566,149</u>	19,937,443
Less accumulated depreciation	10,605,708	10,019,090
	<u>9,960,441</u>	9,918,353
Construction in progress	890,981	679,377
Total property and equipment, net	<u>\$ 10,851,422</u>	<u>\$ 10,597,730</u>

Several capital projects have remaining construction and related equipment purchase commitments of approximately \$590,100 as of June 30, 2019.

#### Intangible Assets

Intangible assets primarily consist of goodwill and capitalized computer software costs, including internally developed software. Costs incurred in the development and installation of internal use software are expensed or capitalized depending on whether they are incurred in the preliminary project stage, application development stage, or post-implementation stage, and the nature of the costs. Intangible assets are included in the Consolidated Balance Sheets as presented in the table that follows.

Capitalized software costs in the following table include software in progress of \$96,717 and \$143,562 at June 30, 2019 and June 30, 2018, respectively:

	June 30, 2019	June 30, 2018
Capitalized software costs	\$ 2,342,789	\$ 2,319,947
Less accumulated amortization	1,701,256	1,526,625
Capitalized software costs, net	<u>641,533</u>	793,322
Goodwill	255,581	212,061
Other, net	44,319	23,361
Intangible assets included in other assets	<u>299,900</u>	235,422
Total intangible assets, net	<u>\$ 941,433</u>	<u>\$ 1,028,744</u>

## Ascension

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

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

Intangible assets whose lives are indefinite, primarily goodwill, are not amortized and are evaluated for impairment at least annually or when circumstances indicate a possible impairment may exist, while intangible assets with definite lives, primarily capitalized computer software costs, are amortized over their expected useful lives. Amortization expense for these intangible assets for the year ended June 30, 2019 and 2018 was \$226,044 and \$231,702, respectively.

Estimated future amortization of intangible assets with definite lives, excluding software in progress, as of June 30, 2019 is as follows:

Year ending June 30:	
2019	\$ 191,260
2020	154,299
2021	113,218
2022	61,151
2023	23,630
Thereafter	36,425
Total	<u>\$ 579,983</u>

During the year ended June 30, 2018, the System substantially completed a significant multi-year, System-wide enterprise resource planning project (Symphony). Capitalized costs of Symphony were approximately \$363,000 at both June 30, 2019 and June 30, 2018 and are being amortized on a straight-line basis over the expected useful life of the software. Accumulated amortization of Symphony was approximately \$235,000 and \$195,000 at June 30, 2019 and June 30, 2018, respectively. See the Impairment, Restructuring, and Nonrecurring Losses discussion below for additional information about costs associated with Symphony.

#### Noncontrolling Interests

The consolidated financial statements include all assets, liabilities, revenues, and expenses of entities that are controlled by the System and therefore consolidated. Noncontrolling interests in the Consolidated Balance Sheets represent the portion of net assets owned by entities outside the System, for those entities in which the System's ownership interest is less than 100%.

## Ascension

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

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

##### **Net Assets**

###### *Net Assets Without Donor Restrictions*

Net assets without donor restrictions are those whose use by the System has not been limited by donors and are available for general operating use.

###### *Net Assets With Donor Restrictions*

Net assets with donor restrictions include those whose use by the System has been limited by donors for a specific time period or purpose, primarily for patient care, operations, and property and equipment. This category also includes net assets restricted by donors to be maintained in perpetuity, which include endowment funds. The income from these funds is used primarily to purchase equipment and to provide charity care and other health and educational services. Contributions with donor-imposed restrictions that are met in the same reporting period are reported as net assets without donor restrictions. Net assets with donor restrictions consist solely of controlling interests of the System.

##### **Performance Indicator**

The performance indicator is the excess of revenues and gains over expenses and losses. Changes in net assets without donor restrictions that are excluded from the performance indicator primarily include pension and other postretirement liability adjustments, transfers to or from sponsors and other affiliates, net assets released from restrictions for property acquisitions, and change in unconsolidated entities' net assets.

##### **Operating and Nonoperating Activities**

The System's primary mission is to meet the healthcare needs in its market areas through a broad range of general and specialized healthcare services, including inpatient acute care, outpatient services, long-term care, and other healthcare services. Activities directly associated with the furtherance of this purpose are considered to be operating activities. Other activities that result in gains or losses peripheral to the System's primary mission are considered to be nonoperating.

## Ascension

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

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

##### **Net Patient Service Revenue and Accounts Receivable**

Net patient service revenue relates to contracts with patients and in most cases involve a third-party payor (Medicare, Medicaid, commercial and other managed care insurance companies) in which the System's performance obligations are to provide health care services. Net patient service revenues are recorded at expected collectible amounts over the time in which obligations to provide health care services are satisfied. Revenue is accrued to estimate the amount of revenue earned to date for patients who have not been discharged and whose care services are not complete as of the reporting period. Substantially all the System's performance obligations are satisfied in one year.

The transaction price is determined based on gross charges for services provided, reduced by contractual adjustments provided to third-party payers, discounts provided to uninsured patients in accordance with our charity care policy, and implicit price concessions provided primarily to uninsured patients. Patients who have health care insurance may also have discounts applied related to their copayment or deductible. Implicit price concessions are recorded as a direct reduction to net patient service revenue and are based primarily on historical collection experience. Estimates of contractual adjustments and discounts are determined by major payor classes for inpatient and outpatient revenues based on contractual agreements, discount policies and historical experience. Management continually reviews the contractual estimation process to consider and incorporate updates to laws and regulations and frequent changes in commercial and managed care contractual terms resulting from contract renegotiations and renewals.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Adjustments to revenue related to prior periods increased net patient service revenue by \$127,562 and \$60,037 for the year ended June 30, 2019 and 2018, respectively.

Settlements with third-party payers for retroactive revenue 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. Such estimates are determined through either a probability-weighted estimate or an estimate of the most likely amount, depending on the circumstances related to a given estimated settlement item.

# Ascension

## Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

### 2. Significant Accounting Policies (continued)

These settlements are estimated based on the terms of the payment agreement with the payer, correspondence from the payer and our 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, or as years are settled or are no longer subject to such audits, reviews and investigations.

Net patient service revenue earned for the years ended June 30, 2019 and 2018, is as follows:

	<b>Year Ended June 30,</b>	
	<b>2019</b>	<b>2018</b>
Inpatient care	\$ 11,483,963	\$ 10,466,751
Ambulatory care	9,067,023	8,238,071
Physician practices	2,677,659	2,591,780
Long-term care	477,945	369,258
Total net patient service revenue	<u>\$ 23,706,590</u>	<u>\$ 21,665,860</u>

The System grants credit without collateral to its patients. Net patient service revenues earned by payor and significant concentrations of accounts receivable are as follows:

	<b>Net Patient Service Revenue</b>		<b>Accounts Receivable</b>	
	<b>June 30, 2019</b>	<b>2018</b>	<b>June 30, 2019</b>	<b>June 30, 2018</b>
Medicare - traditional and managed	36 %	36 %	28 %	27 %
Medicaid - traditional and managed	14	13	11	12
Other commercial and managed care	44	44	41	40
Self-Pay and other	6	7	20	21
	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>

Deductibles, copayments, and coinsurance under third-party payment programs which are the patient's responsibility are included within the primary payor category in the preceding table. The primary collection risks relate to uninsured patient accounts, including patient accounts for which the primary insurance carrier has paid the amounts covered by the applicable agreement, but patient deductibles and copayments remain outstanding.

## Ascension

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

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

Implicit price concessions relate primarily to amounts due directly from patients. Estimated implicit price concessions are recorded for all uninsured accounts, regardless of the aging of those accounts. Accounts are written off when all reasonable internal and external collection efforts have been performed.

The estimates for implicit price concessions are based upon management's assessment of historical write-offs and expected net collections, business and economic conditions, trends in federal, state and private employer health care coverage and other collection indicators. Management relies on the results of detailed reviews of historical write-offs and collections of revenues and accounts receivable as a primary source of information in estimating the collectability of our accounts receivable. Management updates the hindsight analysis at least quarterly, using primarily a rolling twelve-month collection history and write-off data. These routine, quarterly changes in estimates have not resulted in material adjustments to the valuations of accounts receivable or period-to-period comparisons of results of operations.

#### Other Operating Revenue

Other operating revenues are recorded at amounts the System expects to collect in exchange for providing goods or services not directly associated with patient care and recorded over the time in which obligations to provide goods or services are satisfied. The amounts recognized reflect consideration due from customers, third party payors, and others. Components of other operating revenue are included in the following table for the years ended June 30, 2019 and 2018:

	Year Ended June 30,	
	2019	2018
Cafeteria and vending	84,226	80,254
Contracted services	180,971	165,954
Donations and grants	146,508	146,461
Gains on sales of property and equipment	49,251	47,624
Insurance plans	79,368	74,623
Joint venture income	181,427	106,584
Lab services	81,789	77,447
Rental income	98,210	82,776
Retail pharmacy	317,805	280,824
Supplemental care programs	204,197	200,468
Other	192,465	230,081
Total other revenue	<u>\$ 1,616,217</u>	<u>\$ 1,493,096</u>

## Ascension

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

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

Supplemental care is revenue related to expansion and improvement of care through programs including accountable care organizations, shared savings, and other similar arrangements. Contracted services primarily include revenue from services provided under third party arrangements.

#### **Impairment, Restructuring, and Nonrecurring Losses**

Long-lived assets are reviewed for impairment whenever events or business conditions indicate the carrying amount of such assets may not be fully recoverable. Initial assessments of recoverability are based on estimates of undiscounted future net cash flows associated with an asset or group of assets.

Where impairment is indicated, the carrying amount of these long-lived assets is reduced to fair value based on future discounted net cash flows or other estimates of fair value.

Nonrecurring expenses associated with Symphony primarily include deployment costs to implement Symphony in certain Health Ministries.

During the year ended June 30, 2019, the System recorded total impairment, restructuring, and nonrecurring losses, net of \$177,157. This amount was comprised primarily of \$12,801 of nonrecurring expenses associated with Symphony, one-time termination benefits and other restructuring expenses of \$93,979, and other nonrecurring expenses of \$70,377.

During the year ended June 30, 2018, the System recorded total impairment, restructuring, and nonrecurring losses, net of \$193,047. This amount was comprised primarily of \$11,881 of nonrecurring expenses associated with Symphony, one-time termination benefits and other restructuring expenses of \$97,565, and other nonrecurring expenses of \$83,601.

#### **Amortization**

Bond issuance costs, discounts, and premiums are amortized over the term of the bonds using a method approximating the effective interest method.

Capitalized software, including internally developed software, is amortized on a straight-line basis over the expected useful life of the software.

## Ascension

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

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

##### **Income Taxes**

The member healthcare entities of the System are primarily tax-exempt organizations under Internal Revenue Code Section 501(c)(3) or Section 501(c)(2), and their related income is exempt from federal income tax under Section 501(a). The System accounts for uncertainty in income tax positions by applying a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The System has determined that no material unrecognized tax benefits or liabilities exist as of June 30, 2019.

In compliance with the Tax Cuts and Jobs Act of 2017 (The Act), enacted December 22, 2017, the federal components of both the deferred tax assets and the valuation allowance were revalued from 35% to 21%.

The System had deferred tax assets of approximately \$399,000 and \$386,000 for federal and state income tax purposes primarily related to net operating loss carryforwards for the years ended June 30, 2019 and 2018, respectively. Net operating losses incurred prior to July 1, 2018 have expiration dates through 2038, while net operating losses incurred during the current fiscal year and in any future periods can be carried forward indefinitely, under The Act. A valuation allowance of approximately \$394,000 and \$384,000 was recorded due to the uncertainty regarding use of the deferred tax assets for the years ended June 30, 2019 and 2018, respectively.

##### **Regulatory Compliance**

Ascension periodically undergoes investigations or audits by federal, state and local agencies involving compliance with a variety of laws and regulations. These investigations seek to determine compliance with, among other things, laws and regulations relating to Medicare and Medicaid reimbursement, including billing practice for certain services. While no assurance can be given concerning the outcome of any current investigation, management believes that adequate reserves have been established, when available information indicates that a loss is probable and the range of loss can be reasonably estimated, and the outcome of any current investigations will not have a material effect on the accompanying consolidated financial statements of the System.

##### **Reclassifications**

Certain reclassifications were made to the accompanying June 30, 2018 consolidated financial statements to conform to the June 30, 2019 presentation.



## Ascension

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

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

##### Subsequent Events

The System evaluates the impact of subsequent events, which are events that occur after the Consolidated Balance Sheet date but before the consolidated financial statements are issued, for potential recognition or disclosure in the consolidated financial statements as of the Consolidated Balance Sheet date. For the year ended June 30, 2019, the System evaluated subsequent events through September 11, 2019, representing the date on which the accompanying consolidated financial statements were issued.

#### 3. Organizational Changes

##### Business Combinations

###### *Bay County Health System, LLC – Florida*

Effective March 14, 2019, Sacred Heart Health System, Inc. (Sacred Heart), a subsidiary of Ascension Healthcare, acquired the remaining interest in a joint venture previously owned by LHP Bay County, LLC and Sacred Heart.

###### *Presence Health Network – Illinois*

Effective March 1, 2018, certain entities formerly controlled by Presence Health Network (Presence) were acquired by Ascension Healthcare in a series of transactions. These transactions were accounted for as an acquisition during the year ended June 30, 2018 in accordance with Accounting Standards Codification (ASC) Topic 958-805, *Business Combinations – Not-for-Profit Entities* and acquired assets and liabilities were recorded at fair value.

The fair value of net assets of \$770,955 was recognized in the Consolidated Statement of Operations and Changes in Net Assets for the year ended June 30, 2018, as a nonoperating contribution from business combinations of \$734,127, contributions of net assets without donor restrictions, noncontrolling interests of \$5,478, and contributions of net assets with donor restrictions of \$31,350.

For the year ended June 30, 2018, Ascension recognized four months of revenues from Presence totaling \$802,573, and a deficit of revenues and gains over expenses and losses totaling \$18,395, of which \$18,714 was attributable to controlling interest.

## Ascension

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### 3. Organizational Changes (continued)

The following unaudited pro forma financial information presents the combined results of operations of Ascension and Presence for the year ended June 30, 2018 as though the business combination transaction had occurred on June 30, 2017. This pro forma financial information is not necessarily indicative of the results of operations that would occur if these entities were consolidated into the System during those periods, nor is it necessarily indicative of future operating results.

	<b>Year Ending June 30, 2018</b>
Total operating revenue	<b>\$ 24,780,242</b>
Excess of revenues and gains over expenses and losses attributable to controlling interest	<b>1,462,912</b>
Increase in net assets without donor restrictions, controlling interest	<b>1,841,128</b>
Increase in net assets without donor restrictions, noncontrolling interest	<b>126,428</b>
Increase in net assets with donor restrictions, controlling interest	<b>17,842</b>

The pro forma excess of revenues and gains over expenses and losses and other changes in net assets above includes certain adjustments attributable to the business combination transactions.

#### Divestitures

During the year ended June 30, 2019 and 2018, Ascension, including certain of its wholly owned subsidiaries, completed the sale of, or undertook actions to sell or transfer ownership of, certain assets and liabilities in Bridgeport, Connecticut and Pasco, Washington, as follows.

#### *Assets Held for Sale*

On September 28, 2018, Ascension Healthcare entered into an asset sale agreement to sell certain assets and liabilities and substantially all related operations of St. Vincent's Medical Center, an Ascension Healthcare subsidiary located in Bridgeport, Connecticut, to Hartford HealthCare Corporation. The sale is expected to close after all necessary regulatory approvals are obtained. Assets and liabilities held for sale at June 30, 2019 were \$265,816 and \$39,938, respectively, and are included in other current assets and other current liabilities in the accompanying Consolidated Balance Sheet.

## Ascension

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### **3. Organizational Changes (continued)**

##### *Discontinued Operations*

On September 1, 2018, Ascension completed the sale of substantially all assets and certain liabilities of Our Lady of Lourdes Hospital at Pasco in Pasco, Washington, d/b/a Lourdes Health Network, to RCCH HealthCare Partners. Assets and liabilities held for sale, included in other current assets and other current liabilities at June 30, 2018 were \$33,184 and \$24,518, respectively.

The gain (loss) from discontinued operations was \$3,173 and (\$16,155) for the years ended June 30, 2019 and 2018, respectively.

##### **Other**

On January 3, 2018, Ascension sold its interest in Health City Cayman Islands LTD under a contribution and redemption agreement with Narayana Hrudayalaya Limited, Narayana Cayman Holdings LTD and Health City Cayman Islands LTD.

#### **4. Pooled Investment Fund**

At June 30, 2019 and June 30, 2018, a significant portion of the System's investments consists of the System's interest in the Alpha Fund, a limited liability company organized in the state of Delaware. Certain System investments, including some held by the Health Ministries and their consolidated foundations, are managed outside of the Alpha Fund.

The Alpha Fund includes the investment interests of the System and other Alpha Fund members. AIM, a wholly owned subsidiary of the System, serves as the manager and primary investment advisor of the Alpha Fund, overseeing the investment strategies offered to the Alpha Fund's members.

AIM provides expertise in the areas of asset allocation, selection and monitoring of outside investment managers, and risk management. The Alpha Fund is consolidated in the System's financial statements.

The Alpha Fund's investments in certain alternative investment funds also include contractual commitments to provide capital contributions during the investment period, which is typically five years and can extend to the end of the fund term. During these contractual periods, investment managers may require the Alpha Fund to invest in accordance with the terms of the agreement.

## Ascension

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### 4. Pooled Investment Fund (continued)

Commitments not funded during the investment period will expire and remain unfunded. As of June 30, 2019, contractual agreements of the Alpha Fund expire between July 2019 and March 2025. The remaining unfunded capital commitments of the Alpha Fund total approximately \$1,721,000 for 216 individual funds as of June 30, 2019. Due to the uncertainty surrounding whether the contractual commitments will require funding during the contractual period, future minimum payments to meet these commitments cannot be reasonably estimated. These committed amounts are expected to be primarily satisfied by the liquidation of existing investments in the Alpha Fund.

In the normal course of business, the Fund enters into derivative contracts (derivatives) for trading purposes following Fund guidelines. Derivatives in which the Fund may invest include options, futures contracts, swaps, forward settling mortgage-backed securities, and index-based instruments. Advisers selected by AIM to manage the Fund's assets may actively trade futures contracts, options, and foreign currency forward contracts. AIM may direct these advisers to execute derivative transactions. These transactions are used to hedge against changes in the interest rates, security prices, currency fluctuations, and other market developments to manage risk or for the purposes of earning additional income. Derivatives are either exchange-traded or over the counter contracts. Exchange-traded derivatives are standard contracts traded on a regulated exchange. Over the counter contracts are private contracts negotiated with counterparties. See the Fair Value Measurements note for a discussion of how fair value for the Alpha Fund's derivatives is determined. At June 30, 2019 and June 30, 2018, the gross notional value of Alpha Fund derivatives outstanding was approximately \$9,347,000 and \$7,215,000, respectively.

The fair value of Alpha Fund derivatives in an asset position was \$75,647 and \$27,533 at June 30, 2019 and June 30, 2018, respectively, while the fair value of Alpha Fund derivatives in a liability position was \$57,771 and \$71,584 at June 30, 2019 and June 30, 2018, respectively. These derivatives are included in long-term investments in the accompanying Consolidated Balance Sheets at June 30, 2019 and June 30, 2018.

The Alpha Fund also participates in a securities lending program, whereby a portion of the Alpha Fund's investments are loaned to selected established brokerage firms in return for securities from the brokers as collateral for the investments loaned, usually on a short-term basis. The fair value of collateral held by the Alpha Fund associated with such lending agreements amounts to \$391,125 at June 30, 2019.

Due from brokers and due to brokers on the Consolidated Balance Sheets at June 30, 2019 and June 30, 2018, represent the Alpha Fund's positions and amounts due from or to various brokers, primarily for security transactions not yet settled, and cash held by brokers for securities sold, not yet purchased.

## Ascension

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### 5. Cash and Investments

The System's cash and investments are reported in the Consolidated Balance Sheets as presented in the table that follows. Total cash and investments, net, includes both the System's membership interest in the Alpha Fund and the noncontrolling interests held by other Alpha Fund members. System unrestricted cash and investments, net, represent the System's cash and investments excluding the noncontrolling interests held by other Alpha Fund members and assets limited as to use.

	June 30, 2019	June 30, 2018
Cash and cash equivalents	\$ 896,262	\$ 850,958
Short-term investments	92,072	83,166
Long-term investments	19,786,061	19,404,559
Subtotal	<u>20,774,395</u>	<u>20,338,683</u>
Other Alpha Fund assets and liabilities:		
In other current assets	41,461	38,161
In accounts payable and other accrued liabilities	(11,542)	(12,403)
In other noncurrent liabilities	(20)	(3,321)
Due (to) from brokers, net	<u>(44,236)</u>	<u>(161,345)</u>
Total cash and investments, net	20,760,058	20,199,775
Less noncontrolling interests of Alpha Fund	<u>1,755,068</u>	<u>1,714,371</u>
System cash and investments, including assets limited as to use	19,004,990	18,485,404
Less assets limited as to use:		
Under bond indenture agreement	1,039	3,635
Self-insurance trust funds	639,006	697,588
With donor restrictions	<u>703,017</u>	<u>689,988</u>
Total assets limited as to use	1,343,062	1,391,211
System unrestricted cash and investments, net	<u><u>\$ 17,661,928</u></u>	<u><u>\$ 17,094,193</u></u>

# Ascension

## Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

### 5. Cash and Investments (continued)

The composition of cash and cash equivalents, short-term investments and long-term investments, which include certain assets limited as to use, is summarized as follows.

	June 30, 2019	June 30, 2018
Cash and cash equivalents and short-term investments	\$ 1,089,466	\$ 1,137,098
Pooled short-term investment funds	728,104	965,960
U.S. government, state, municipal and agency obligations	2,741,689	2,752,951
Corporate and foreign fixed income securities	1,675,874	1,983,790
Asset-backed securities	3,078,928	1,610,733
Equity securities	5,358,824	5,766,018
Alternative investments and other investments:		
Private equity and real estate funds	2,768,605	2,334,655
Hedge funds	1,839,334	2,325,236
Commodities funds and other investments	1,493,571	1,462,242
Total alternative investments and other investments	6,101,510	6,122,133
Total cash and cash equivalents, short-term investments, and long-term investments	<u>\$ 20,774,395</u>	<u>\$ 20,338,683</u>

Investment return recognized by the System for the year ended June 30, 2019 and 2018, is summarized in the following table. Total investment return includes the System's return on certain investments held and managed outside the Alpha Fund and the investment return of the Alpha Fund. System investment return represents the System's total investment return, net of the investment return earned by the noncontrolling interests of other Alpha Fund members.

	Year Ended June 30, 2019	2018
Interest and dividends	\$ 441,982	\$ 363,227
Net gains on investments reported at fair value	691,169	1,254,110
Restricted investment return and unrealized gains, net	19,595	27,398
Investment return, net	1,152,746	1,644,735
Less return earned by noncontrolling interests of Alpha Fund	80,592	113,207
System investment return, net	<u>\$ 1,072,154</u>	<u>\$ 1,531,528</u>

Investment return is reduced by external and direct internal investment expenses.

# Ascension

## Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

### 6. Financial Assets and Liquidity Resources

As of June 30, 2019, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, principal payments on debt, and capital expenditures not financed with debt, are as follows:

	<u>June 30, 2019</u>
Financial assets:	
Cash and cash equivalents	\$ 896,262
Short term investments	92,072
Accounts receivable	3,172,747
Due from brokers	324,977
Other current assets	959,477
Long term investments	<u>19,786,061</u>
Total financial assets	<u>25,231,596</u>
Less:	
Assets limited as to use and other restricted funds	(1,456,257)
Noncontrolling interests of Alpha Fund	(1,755,068)
Investments with liquidity more than one year	<u>(3,516,214)</u>
Total financial assets available within one year	<u>18,504,057</u>
Liquidity resources:	
Unused lines of credit	<u>1,000,000</u>
Total financial assets and liquidity resources available within one year	<u><u>\$ 19,504,057</u></u>

As part of the System's investment policy, highly liquid investments are held to enhance the System's ability to satisfy liquidity. The System also maintains lines of credit as further discussed in the Long-Term Debt note.

## Ascension

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### 7. Fair Value Measurements

The System measures the fair value of assets and liabilities in accordance with FASB ASC 820, *Fair Value Measurement*. Under ASC 820, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability at the measurement date. Assets and liabilities reported at fair value are classified and disclosed in one of the following four categories:

Level 1 – Quoted prices (unadjusted) that are readily available in active markets/exchanges for identical assets or liabilities.

Level 2 – Pricing inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 pricing inputs include prices quoted for similar assets and liabilities in active markets/exchanges or prices quoted for identical or similar assets and liabilities in markets that are not active. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Significant pricing inputs that are unobservable for the asset or liability, including assets or liabilities for which there is little, if any, market activity for such asset or liability. Inputs to determine the fair value of Level 3 assets and liabilities require management judgment and estimation.

Net Asset Value – Values are based on the calculated net asset value. The calculated net asset values for underlying investments are fair value estimates determined by an external fund manager and other sources based on quoted market prices, operating results, balance sheet stability, growth, and other business and market sector factors.

The System categorizes, for disclosure purposes, assets and liabilities measured at fair value in the consolidated financial statements based upon whether the inputs used to determine their fair values are observable or unobservable. Observable inputs are inputs that are based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about pricing the asset or liability based on the best information available in the circumstances.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an asset's or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement of the asset or liability. The System's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.



## Ascension

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### **7. Fair Value Measurements (continued)**

There were no significant transfers between Levels 1 and 2 during the year ended June 30, 2019 and 2018.

As of June 30, 2019, and June 30, 2018, the assets and liabilities listed in the fair value hierarchy tables below use the following valuation techniques and inputs:

##### *Cash and Cash Equivalents and Short-Term Investments*

Cash and cash equivalents and certain short-term investments include certificates of deposit, whose fair value is based on cost plus accrued interest. Significant observable inputs include security cost, maturity, and relevant short-term interest rates. Other short-term investments designated as Level 2 investments primarily consist of commercial paper, whose fair value is based on the income approach. Significant observable inputs include security cost, maturity, credit rating, interest rate, and par value.

##### *Pooled Short-term Investment Fund*

The pooled short-term investment fund is a short-term exchange traded money market fund primarily invested in treasury securities.

##### *U.S. Government, State, Municipal, and Agency Obligations*

The fair value of investments in U.S. government, state, municipal, and agency obligations is primarily determined using techniques consistent with the income approach. Significant observable inputs include benchmark yields, reported trades, observable broker/dealer quotes, and issuer spreads.

##### *Corporate and Foreign Fixed Income Securities*

The fair value of investments in U.S. and international corporate bonds and foreign government bonds is primarily determined using techniques that are consistent with the market approach. Significant observable inputs include benchmark yields, reported trades, observable broker/dealer quotes, issuer spreads, and security-specific characteristics (e.g., such as early redemption options).

## Ascension

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### **7. Fair Value Measurements (continued)**

##### *Asset-backed Securities*

The fair value of U.S. agency, mortgage, and other asset-backed securities is primarily determined using techniques that are consistent with the income approach. Significant observable inputs include prepayment speeds and spreads, benchmark yield curves, volatility measures, and observable broker/dealer quotes.

##### *Equity Securities*

The fair value of investments in U.S. and international equity securities is primarily determined using techniques that are consistent with the market and income approaches. The values for underlying investments are based on readily available quoted market prices or represent fair value estimates determined by an external fund manager based on market prices, operating results, balance sheet stability, growth, dividend, dividend yield, and other business and market sector fundamentals.

##### *Alternative Investments and Other Investments*

Alternative investments consist of private equity, hedge funds, private equity funds, commodity funds, and real estate partnerships. The fair value of private equity is primarily determined using techniques consistent with both the market and income approaches, based on the System's estimates and assumptions in the absence of observable market data. The market approach considers comparable company, comparable transaction, and company-specific information, including but not limited to restrictions on disposition, subsequent purchases of the same or similar securities by other investors, pending mergers or acquisitions, and current financial position and operating results. The income approach considers the projected operating performance of the portfolio company.

The fair value of hedge funds, private equity funds, commodity funds, and real estate partnerships is primarily determined using net asset values, which approximate fair value, as determined by an external fund manager based on quoted market prices, operating results, balance sheet stability, growth, and other business and market sector fundamentals.

Other investments include derivative assets and derivative liabilities of the Alpha Fund, whose fair value is primarily determined using techniques consistent with the market approach. Significant observable inputs to valuation models include the time value of money, counterparty credit risk, interest rates, Treasury yields, volatilities, credit spreads, maturity date, recovery rates, and the current market and contractual prices of the underlying financial instruments.

## Ascension

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### **7. Fair Value Measurements (continued)**

##### *Benefit Plan Assets*

The fair value of benefit plan assets is based on original investment into a guaranteed fund, plus guaranteed, annuity contract-based interest rates. Significant unobservable inputs to the guaranteed rate include the fair value and average duration of the portfolio of investments underlying annuity contract, the contract value, and the annualized weighted-average yield to maturity of the underlying investment portfolio.

##### *Interest Rate Swap Assets and Liabilities*

The fair value of interest rate swaps is primarily determined using techniques consistent with the income method. Under the income method, fair values are calculated based on present value of expected future cash flows using discount rates appropriate with risks involved.

Significant observable inputs to valuation models include interest rates, Treasury yields, volatilities, credit spreads, maturity, and recovery rates.

##### *Investments Sold, Not Yet Purchased*

The fair value of investments sold, not yet purchased is primarily determined using techniques consistent with the income approach. Significant observable inputs to the income approach include data points for benchmark, constant maturity curves, and spreads.

# Ascension

## Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

### 7. Fair Value Measurements (continued)

The following table summarizes fair value measurements, by level, at June 30, 2019, for all financial assets and liabilities measured at fair value on a recurring basis in the System's consolidated financial statements:

	Level 1	Level 2	Level 3	Total
<b>June 30, 2019</b>				
Cash equivalents	\$ 51,440	\$ 702	\$ -	\$ 52,142
Short-term investments	52,989	20,206	-	73,195
Pooled short-term investment funds	728,104	-	-	728,104
U.S. government, state, municipal and agency obligations	-	2,741,689	-	2,741,689
Corporate and foreign fixed income securities	-	1,622,233	3,655	1,625,888
Asset-backed securities	-	2,875,234	203,694	3,078,928
Equity securities	4,212,135	64,892	8,386	4,285,413
Alternative investments and other investments:				
Private equity and real estate funds	2,868	2,500	333,434	338,802
Commodities funds and other investments	23,150	24,507	1,247	48,904
Assets at net asset value:				
Corporate and foreign fixed income securities				49,986
Equity securities				1,073,411
Private equity and real estate funds				2,429,803
Hedge funds				1,839,334
Commodities funds and other investments				1,363,501
Cash and other investments not at fair value				1,045,295
Cash and investments				<u>\$ 20,774,395</u>
Benefit plan assets, in other noncurrent assets	\$ 461,534	\$ -	\$ 50,078	\$ 511,612
Interest rate swaps, in other noncurrent assets	-	3,174	-	3,174
Investments sold, not yet purchased, in other noncurrent liabilities	-	20	-	20
Interest rate swaps, included in other noncurrent liabilities	-	137,484	-	137,484

# Ascension

## Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

### 7. Fair Value Measurements (continued)

For the year ended June 30, 2019, the changes in the fair value of the assets and liabilities measured using significant unobservable inputs (Level 3) consisted of the following:

Year Ended	Short-term investments	Corporate and Foreign Fixed Income Securities	Asset-Backed Securities	Equity Securities	Private Equity and Real Estate Funds	Commodities Funds and Other Investments	Benefit Plan Assets
<b>June 30, 2019</b>							
Beginning balance	\$ 1,130	\$ 11,956	\$ 305,278	\$ 29,239	\$ 295,109	\$ 1,121	\$ 47,827
Total realized and unrealized gains (losses):							
Included in nonoperating gains (losses)	-	(233)	(4,101)	(12,700)	118,049	17,631	-
Included in changes in net assets	-	-	-	-	-	44	-
Purchases	-	1,128	144,734	18,942	61,215	(1,197)	4,185
Issuances	-	-	-	-	615	-	-
Sales	-	(11,273)	(124,160)	(5,919)	(141,295)	(14,537)	(9,686)
Transfers into Level 3	-	5,189	4,642	128	44	-	9,907
Transfers out of Level 3	(1,130)	(3,112)	(122,699)	(21,304)	(303)	(1,815)	(2,155)
Ending balance	<u>\$ -</u>	<u>\$ 3,655</u>	<u>\$ 203,694</u>	<u>\$ 8,386</u>	<u>\$ 333,434</u>	<u>\$ 1,247</u>	<u>\$ 50,078</u>
The amount of total gains or losses for the period included in nonoperating gains (losses) attributable to the changes in unrealized gains or losses relating to assets still held at June 30, 2019	<u>\$ -</u>	<u>\$ (604)</u>	<u>\$ (4,904)</u>	<u>\$ (10,038)</u>	<u>\$ -</u>	<u>\$ 317</u>	<u>\$ -</u>

The basis for recognizing and valuing transfers into or out of Level 3, in the Level 3 rollforward, is as of the beginning of the period in which the transfers occur.

# Ascension

## Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

### 7. Fair Value Measurements (continued)

The following table summarizes fair value measurements, by level, at June 30, 2018, for all financial assets and liabilities measured at fair value on a recurring basis in the System's consolidated financial statements:

	Level 1	Level 2	Level 3	Total
<b>June 30, 2018</b>				
Cash equivalents	\$ 43,822	\$ 370	\$ -	\$ 44,192
Short-term investments	49,070	100,793	1,130	150,993
Pooled short-term investment funds	965,960	-	-	965,960
U.S. government, state, municipal and agency obligations	-	2,752,951	-	2,752,951
Corporate and foreign fixed income securities	-	1,971,834	11,956	1,983,790
Asset-backed securities	-	1,305,455	305,278	1,610,733
Equity securities	4,705,172	44,329	29,239	4,778,740
Alternative investments and other investments:				
Private equity and real estate funds	1,952	2,400	295,109	299,461
Commodities funds and other investments	(13,648)	(12,221)	1,121	(24,748)
Assets at net asset value:				
Corporate and foreign fixed income securities				-
Equity securities				987,278
Private equity and real estate funds				2,035,194
Hedge funds				2,325,236
Commodities funds and other investments				1,390,328
Cash and other investments not at fair value				1,038,575
Cash and investments				<u>\$ 20,338,683</u>
Benefit plan assets, in other noncurrent assets	\$ 453,193	\$ 762	\$ 47,827	\$ 501,782
Interest rate swaps, in other noncurrent assets	-	1,930	-	1,930
Investments sold, not yet purchased, in other noncurrent liabilities	2,912	409	-	3,321
Interest rate swaps, included in other noncurrent liabilities	-	108,781	-	108,781

# Ascension

## Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

### 7. Fair Value Measurements (continued)

For the year ended June 30, 2018, the changes in the fair value of the assets and liabilities measured using significant unobservable inputs (Level 3) consisted of the following:

Year Ended	Short-term investments	Corporate and Foreign Fixed Income Securities	Asset-Backed Securities	Equity Securities	Private Equity and Real Estate Funds	Commodities Funds and Other Investments	Benefit Plan Assets
<b>June 30, 2018</b>							
Beginning balance	\$ 345	\$ 28,119	\$ 193,211	\$ 4,738	\$ 241,420	\$ 7,493	\$ 54,698
Total realized and unrealized gains (losses):							
Included in nonoperating gains (losses)	-	383	1,585	7,856	101,835	(11,994)	-
Included in changes in net assets	-	-	-	-	-	(173)	-
Purchases	1,130	8,255	239,778	18,547	55,733	3,161	61,744
Issuances	-	-	-	-	650	-	-
Sales	-	(27,625)	(134,369)	(1,902)	(84,658)	2,448	(56,111)
Transfers into Level 3	-	13,638	5,073	-	-	186	44,057
Transfers out of Level 3	(345)	(10,814)	-	-	(19,871)	-	(56,561)
Ending balance	<u>\$ 1,130</u>	<u>\$ 11,956</u>	<u>\$ 305,278</u>	<u>\$ 29,239</u>	<u>\$ 295,109</u>	<u>\$ 1,121</u>	<u>\$ 47,827</u>
The amount of total gains or losses for the period included in nonoperating gains (losses) attributable to the changes in unrealized gains or losses relating to assets still held at June 30, 2018	<u>\$ -</u>	<u>\$ (735)</u>	<u>\$ (2,029)</u>	<u>\$ 7,725</u>	<u>\$ (6,243)</u>	<u>\$ (3,783)</u>	<u>\$ -</u>

The basis for recognizing and valuing transfers into or out of Level 3, in the Level 3 rollforward, is as of the beginning of the period in which the transfers occur.

# Ascension

## Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

### 8. Long-Term Debt

Long-term debt at June 30, 2019 and 2018 is comprised of the following and is presented in accordance with the specific master trust indenture to which the debt relates. As further discussed below, certain portions of long-term debt are secured under the Mercy Regional Health Center, Inc. Master Trust Indenture.

	June 30,	
	2019	2018
<b>Tax-exempt hospital revenue bonds – secured under Ascension Health Alliance Senior Credit Group Master Trust Indenture:</b>		
Variable rate demand bonds, subject to a seven-day put provision, payable through November 2047; interest (1.90% to 2.00% at June 30, 2019) set at prevailing market rates	\$ 532,815	\$ 519,965
Fixed rate serial, term and mode bonds fixed to maturity payable in installments through November 2051; interest at 3.00% to 5.00%	3,892,290	3,854,395
Fixed rate serial mode bonds payable through 2047 with purchase dates ranging from August 2019 through July 2024; interest at 1.10% to 5.00% through the purchase dates	1,104,500	1,210,955
<b>Tax-exempt hospital revenue bonds – unsecured under Ascension Health Alliance Subordinate Master Trust Indenture:</b>		
Variable rate demand bonds, subject to a seven-day put provision, payable through November 2025; interest (2.00% at June 30, 2019) set at prevailing market rates	30,915	35,065
Fixed rate serial mode bonds with maturity payable installments through November 2027; interest at 4.00%	50,575	51,955
Fixed rate serial mode bonds payable through 2027 with purchase dates through August 2020; interest at 1.25% to 2.80%	269,520	298,140
<b>Taxable bonds – secured under Ascension Health Alliance Senior Credit Group Master Trust Indenture:</b>		
Taxable fixed rate term bonds payable as of November 2053; interest at 4.847%	425,000	425,000
Taxable fixed rate term bonds payable as of November 2046; interest at 3.945%	1,170,000	1,170,000
<b>Total hospital revenue bonds under Senior Master Trust Indenture and Subordinate Master Trust Indenture</b>	<b>7,475,615</b>	<b>7,565,475</b>
<b>Tax-exempt hospital revenue bonds – secured under Mercy Regional Health Center, Inc. Master Trust Indenture:</b>		
Fixed rate serial and term bonds payable in installments through November 2029; interest at 5.00%	18,385	19,615
<b>Total hospital revenue bonds – all Master Trust Indentures</b>	<b>\$ 7,494,000</b>	<b>\$7,585,080</b>



# Ascension

## Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

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

	June 30,	
	2019	2018
<b>Total hospital revenue bonds – all Master Trust Indentures</b>	<b>\$ 7,494,000</b>	<b>\$ 7,585,080</b>
Other debt:		
Obligations under capital leases	100,253	10,340
Other	31,025	46,803
	<b>7,625,278</b>	<b>7,642,233</b>
Unamortized premium, net	341,179	360,164
Less debt issuance cost, net	(37,266)	(39,097)
Less current portion	(125,577)	(100,919)
Less long-term debt subject to short-term remarketing arrangements	(1,043,150)	(738,770)
<b>Long-term debt, less current portion and long-term debt subject to short-term remarketing arrangements</b>	<b>\$ 6,760,464</b>	<b>\$ 7,123,611</b>

	June 30,	
	2019	2018
Ascension Health Alliance Senior Master Trust Indenture long-term debt obligations, including unamortized premium and cost of issuance, net	\$ 6,528,206	\$ 6,741,328
Ascension Health Alliance Subordinate Master Trust Indenture long-term debt obligations, including unamortized premium and cost of issuance, net	95,761	323,050
Mercy Regional Health Center, Inc. Master Trust Indenture long-term debt obligations, including unamortized premium, net	18,141	19,664
Other	118,356	39,569
<b>Long-term debt, less current portion, and long-term debt subject to short-term remarketing arrangements</b>	<b>\$ 6,760,464</b>	<b>\$ 7,123,611</b>

## Ascension

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

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

Scheduled principal repayments of long-term debt, considering obligations subject to short-term remarketing as due according to their long-term amortization schedule, as of June 30, 2019, are as follows:

Year Ending June 30:	Ascension Health Alliance MTIs	Mercy Regional Health Center, Inc. MTI	Other Debt	Total
2020	\$ 111,370	\$ 1,285	\$ 12,922	\$ 125,577
2021	122,805	1,350	12,432	136,587
2022	130,555	1,420	10,179	142,154
2023	136,020	1,495	10,118	147,633
2024	142,265	1,570	22,513	166,348
Thereafter	6,832,600	11,265	63,114	6,906,979
Total	<u>\$ 7,475,615</u>	<u>\$ 18,385</u>	<u>\$ 131,278</u>	<u>\$ 7,625,278</u>

The carrying values of fixed rate bonds were \$6,930,270 and \$7,030,060 at June 30, 2019 and 2018, respectively. The fair values of these fixed rate bonds were \$7,567,480 and \$7,391,287 at June 30, 2019 and 2018, respectively, representing Level 2 measurements obtained from an independent third party valuation service. The carrying amounts of variable rate bonds and other notes payable approximate fair value.

During the years ended June 30, 2019 and 2018, interest paid was approximately \$299,000 and \$248,000, respectively. Capitalized interest was approximately \$3,500 and \$1,500 for the years ended June 30, 2019 and 2018, respectively.

Certain members of the System formed the Ascension Health Alliance Credit Group (Senior Credit Group). Each Senior Credit Group member is identified as either a senior obligated group member, a senior designated affiliate, or a senior limited designated affiliate. Senior obligated group members are jointly and severally liable under a Senior Master Trust Indenture (Senior MTI) to make all payments required with respect to obligations under the Senior MTI and may be entities not controlled directly or indirectly by the System.

Senior designated affiliates and senior limited designated affiliates are not obligated to make debt service payments on the obligations under the Senior MTI. The System may cause each senior designated affiliate to transfer such amounts as are necessary to enable the obligated group to comply with the terms of the Senior MTI, including payment of the outstanding obligations. Additionally, each senior limited designated affiliate has an independent limited designated affiliate agreement and promissory note with the System with stipulated repayment terms and conditions, each subject to the governing law of the senior limited designated affiliate's state of incorporation.

## Ascension

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### **8. Long-Term Debt (continued)**

Pursuant to a Supplemental Master Indenture dated February 1, 2005, senior obligated group members, which are operating entities, have pledged and assigned to the Master Trustee a security interest in all of their rights, title, and interest in their pledged revenues and proceeds thereof.

A Subordinate Credit Group, which is comprised of subordinate obligated group members, subordinate designated affiliates, and subordinate limited designated affiliates, was created under the Subordinate Master Trust Indenture (Subordinate MTI). The subordinate obligated group members are jointly and severally liable under the Subordinate MTI to make all payments required with respect to obligations under the Subordinate MTI and may be entities not controlled directly or indirectly by the System. Subordinate designated affiliates and subordinate limited designated affiliates are not obligated to make debt service payments on the obligations under the Subordinate MTI.

The System may cause each subordinate designated affiliate to transfer such amounts as are necessary to enable the obligated group members to comply with the terms of the Subordinate MTI, including payment of the outstanding obligations. Additionally, each subordinate limited designated affiliate has an independent subordinate limited designated affiliate agreement and promissory note with the System, with stipulated repayment terms and conditions, each subject to the governing law of the subordinate limited designated affiliate's state of incorporation.

The unsecured variable rate demand bonds of both the Senior and Subordinate Credit Groups, while subject to long-term amortization periods, may be put to the System at the option of the bondholders in connection with certain remarketing dates. To the extent that bondholders may, under the terms of the debt, put their bonds within 12 months after June 30, 2019, the principal amount of such bonds has been classified as a current liability in the accompanying Consolidated Balance Sheets. Management believes the likelihood of a material amount of bonds being put to the System to be remote. However, to address this possibility, management has taken steps to provide various sources of liquidity in the event any bonds would be put, including the line of credit, commercial paper program, and maintaining unrestricted assets as a source of self-liquidity.

In September and October 2017, all previously outstanding bonds issued under the Alexian Brothers and St. John Health System Master Trust Indentures were defeased. Certain entities of Alexian Brothers and St. John Health System have been added to the Ascension Senior Credit Group. In October 2017, Ascension issued \$245,000 of taxable bonds through a reopening of the Series 2016A taxable bond offering, a Senior Credit Group Obligation. The debt was issued primarily to refund the Series 2012 St. John Health System bonds and the Series 2008 and Series 2010 Alexian Brothers bonds. The only remaining bond series outside of the Ascension Master Trust Indenture is the Master Trust Indenture dated January 15, 2013, between Mercy Regional Health Center, Inc. and the Mercy Regional Health Center, Inc. Master Trustee.

## Ascension

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### **8. Long-Term Debt (continued)**

In May 2018, Ascension issued an Ascension Credit Group Master Trust Indenture Obligation (the “Ascension Obligation”) to secure the \$1,000,000 Illinois Finance Authority Revenue Bonds, Series 2016C (Presence Health Network) (the “Presence Bonds”). As permitted by the bond trust indenture for the Presence Bonds, the Direct Note Obligation originally issued under the Presence Master Trust Indenture dated as of August 1, 2016 was surrendered and cancelled concurrent with the execution of the Ascension Obligation. The Presence Master Trust Indenture was also cancelled simultaneously.

Due to aggregate financing activity during the fiscal years ended June 30, 2019 and 2018, losses on extinguishment of debt of \$100 and \$9,850, respectively, were recorded, which are included in nonoperating gains (losses) in the accompanying Consolidated Statements of Operations and Changes in Net Assets.

As of June 30, 2019, the Senior Credit Group had two lines of credit totaling \$1,000,000. The first line of credit totals \$300,000 which may be used as a source of funding for unremarketed variable debt (including commercial paper) or for general corporate purposes. The second line of credit totals \$700,000 which may be used for general corporate purposes. Both lines are committed to December 4, 2020 and as of June 30, 2019 and 2018, there were no borrowings under either line of credit.

As of June 30, 2019, the Senior Credit Group had a \$100,000 revolving line of credit related to its letters of credit program toward which a bank commitment of \$100,000 extends to November 14, 2019. The revolving line of credit may be accessed solely in the form of Letters of Credit issued by the bank for the benefit of the members of the Credit Groups. Of this \$100,000 revolving line of credit, letters of credit totaling \$79,337 have been issued as of June 30, 2019. No borrowings were outstanding under the letters of credit as of June 30, 2019 and 2018.

#### **9. Derivative Instruments**

The System uses interest rate swap agreements to manage interest rate risk associated with its outstanding debt. Interest rate swaps with varying characteristics are outstanding under the Master Trust Indenture of the System. These swaps have historically been used to effectively convert interest rates on variable rate bonds to fixed rates and rates on fixed rate bonds to variable rates. At June 30, 2019 and June 30, 2018, the notional values of outstanding interest rate swaps were \$1,020,775 and \$1,084,975, respectively.

The System recognizes the fair value of its interest rate swaps in the Consolidated Balance Sheets as assets, recorded in other noncurrent assets, or liabilities, recorded in other noncurrent liabilities, as appropriate.

## Ascension

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### **9. Derivative Instruments (continued)**

The fair value of interest rate swaps in an asset position was \$3,174 and \$1,930 at June 30, 2019 and June 30, 2018, respectively. The fair value of interest rate swaps in a liability position was \$137,484 and \$108,781 at June 30, 2019 and June 30, 2018, respectively.

The System's interest rate swap agreements include collateral requirements for each counterparty under such agreements, based upon specific contractual criteria, subject to master netting arrangements. Collateral requirements are calculated based on the System's credit ratings. The applicable credit rating is the Senior Credit Group long-term debt credit ratings (Senior Debt Credit Ratings), as obtained from each of two major credit rating agencies. Credit rating and the net liability position of total interest rate swap agreements outstanding with each counterparty determine the amount of collateral to be posted. No collateral was posted at June 30, 2019 and June 30, 2018.

The System does not account for any of its interest rate swaps as hedges, and accordingly, all changes in the fair value of interest rate swaps are recognized in nonoperating gains (losses) in the accompanying Consolidated Statements of Operations and Changes in Net Assets. The System does not offset fair value amounts recognized for derivative instruments.

#### **10. Retirement Plans**

Certain System entities participate in defined-benefit pension plans (the System Plans), which are noncontributory, defined-benefit pension plans. Benefits are based on each participant's years of service and compensation. At June 30, 2019, primarily all of the System Plans' assets are invested in the Master Pension Trust (the Trust). At June 30, 2018, the System Plans' assets were also invested in one additional other trust (the Other Trust).

The System Plans' assets primarily consist of short-term investments, equity, fixed income, and alternative investments, consisting of various hedge funds, real estate funds, private equity funds, commodity funds, private credit funds, and certain other private funds.

Contributions to the System Plans are based on actuarially determined amounts sufficient to meet the benefits to be paid to participants. Most System defined benefit plans were frozen effective December 31, 2012. Two of the System Plans remain ongoing at June 30, 2019.

The assets of the System Plans are available to pay the benefits of eligible employees and retirees of all participating entities. In the event entities participating in the System Plans are unable to fulfill their financial obligations under the System Plans, the other participating entities are obligated to do so.

# Ascension

## Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

### 10. Retirement Plans (continued)

The following table sets forth the combined benefit obligations and assets of the System Plans at June 30, 2019 and 2018, components of net periodic benefit costs for the years then ended, and a reconciliation of the amounts recognized in the accompanying consolidated financial statements.

	Year Ended June 30,	
	2019	2018
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	\$ 9,441,554	\$ 9,173,650
Service Cost	682	6,418
Interest Cost	389,386	352,931
Assumption change	711,560	(535,210)
Actuarial loss	40,486	51,229
Acquisitions	-	893,732
Curtailment	-	(3,780)
Benefits paid	(572,020)	(497,416)
Projected benefit obligation at end of year	10,011,648	9,441,554
Change in plan assets:		
Fair value of plan assets at beginning of year	8,602,710	7,919,767
Actual return on plan assets	468,256	405,550
Employer contributions	4,157	5,601
Acquisitions	-	769,208
Benefits paid	(572,020)	(497,416)
Fair value of plan assets at end of year	8,503,103	8,602,710
Net amount recognized at end of year and funded status	\$ (1,508,545)	\$ (838,844)
Accumulated benefit obligation at end of year	\$ 10,010,998	\$ 9,438,370

# Ascension

## Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

### 10. Retirement Plans (continued)

The System Plans' funded status as a percentage of both the projected and accumulated benefit obligations was 84.9% and 91.1% at June 30, 2019 and 2018, respectively.

Included in net assets without donor restrictions at June 30, 2019 and 2018, are the following amounts that have not yet been recognized in net periodic pension cost for the System Plans:

	<b>Year Ended June 30,</b>	
	<b>2019</b>	<b>2018</b>
Unrecognized prior service credit	\$ 8	\$ (2,509)
Unrecognized actuarial loss	<b>2,506,799</b>	1,576,969
	<b>\$ 2,506,807</b>	<b>\$ 1,574,460</b>

Changes in plan assets and benefit obligations recognized in net assets without donor restrictions for System Plans during 2019 and 2018 include:

	<b>Year Ended June 30,</b>	
	<b>2019</b>	<b>2018</b>
Current year actuarial (gain) loss	\$ 1,001,500	\$ (206,792)
Amortization of actuarial (loss) gain	(71,671)	(73,786)
Amortization of prior service credit	<b>2,518</b>	2,776
	<b>\$ 932,347</b>	<b>\$ (277,802)</b>

	<b>Year Ended June 30,</b>	
	<b>2019</b>	<b>2018</b>
<b>Components of net periodic benefit cost</b>		
Service cost	\$ 682	\$ 6,418
Interest cost	<b>389,386</b>	352,931
Expected return on plan assets	(717,710)	(686,518)
Amortization of prior service credit	(2,518)	(2,776)
Amortization of actuarial loss	<b>65,952</b>	74,540
Settlement loss (gain)	<b>5,719</b>	(754)
Net periodic benefit cost	<b>\$ (258,489)</b>	<b>\$ (256,159)</b>

## Ascension

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### 10. Retirement Plans (continued)

The prior service credit and actuarial loss included in net assets without donor restrictions and expected to be recognized in net periodic pension cost during the year ending June 30, 2019, are \$700 and \$111,170, respectively.

The assumptions used to determine the benefit obligation and net periodic benefit cost for the System Plans are set forth below:

	June 30,	
	2019	2018
<b>To determine benefit obligations:</b>		
Discount rate	3.55%	4.30%
<b>To determine net periodic benefit cost:</b>		
Discount rate	4.30%	3.87%
Expected return on plan assets	8.37%	8.37%

The expected long-term rate of return on the System Plans' assets is based on historical and projected rates of return for current and planned asset categories in the investment portfolio. Assumed projected rates of return for each asset category were selected after analyzing historical experience and future expectations of the returns and volatility for assets of that category using benchmark rates. Based on the target asset allocation among the asset categories, the overall expected rate of return for the portfolio was developed and adjusted for historical and expected experience of active portfolio management results compared to benchmark returns and for the effect of expenses paid from plan assets.

The System Plans' assets invested in the Trust are invested in a portfolio designed to protect principal and obtain competitive investment returns and long-term investment growth, consistent with actuarial assumptions, with a reasonable and prudent level of risk. Diversification is achieved by allocating to funds and managers that correlate to one of three economic strategies: growth, deflation, and inflation. Growth strategies include U.S. equity, emerging market equity, global equity, international equity, directional hedge funds, private equity, high yield, and private credit. Deflation strategies include core fixed income, absolute return hedge funds, and cash. Inflation strategies include inflation-linked bonds, commodity-related investments, and real assets. The System Plans use multiple investment managers with complementary styles, philosophies, and approaches. In accordance with the System Plans' objectives, derivatives may also be used to gain market exposure in an efficient and timely manner.



## Ascension

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### 10. Retirement Plans (continued)

In accordance with the System Plans' asset diversification targets, as presented in the table that follows, the Trust holds certain alternative investments, consisting of various hedge funds, real asset funds, private equity funds, commodity funds, private credit funds, and certain other private funds. These investments do not have observable market values. As such, each of these investments is valued at net asset value (NAV) as determined by each fund's investment manager, which approximates fair value. Management elected to use the NAV per share, or equivalent, for fair value. Collectively, these funds have liquidity terms ranging from daily to annual with notice periods ranging from 1 to 180 days. Due to redemption restrictions, investments of certain private funds, whose fair value was approximately \$1,176,000 at June 30, 2019, cannot currently be redeemed. However, the potential for the System Plans to sell their interest in real asset funds and private equity funds in a secondary market prior to the end of the fund term does exist.

The investments in these alternative investment funds may also include contractual commitments to provide capital contributions during the investment period, which is typically five years, and may extend to the end of the fund term. During these contractual periods, investment managers may require the System Plans to invest in accordance with the terms of the agreement. Commitments not funded during the investment period will expire and remain unfunded. As of June 30, 2019, investment periods expire between August 2019 and January 2025. The remaining unfunded capital commitments of the Trust total approximately \$695,000 for 133 individual contracts as of June 30, 2019. The weighted-average asset allocation for the System Plans in the Trust at the end of fiscal 2019 and 2018 and the target allocation for fiscal 2019, by asset category, are as follows:

Asset Category	Target Allocation 2020	Percentage of Plan Assets at June 30, 2019                      2018	
Growth	57%	57%	60%
Deflation	28%	31%	25%
Inflation	15%	12%	15%
Total	100%	100%	100%

## Ascension

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### 10. Retirement Plans (continued)

The System Plans' assets in the Other Trust were invested in portfolios designated to best serve the participants of the System Plans' through a long-term investment strategy designed to ensure that funds are available to pay benefits as they become due and to maximize the total return at a prudent level of investment risk. The System Plans' assets invested in the Other Trust were diversified among various asset classes based upon established investment guidelines. All of the assets in the Other Trust were transferred to the Trust during the year ended June 30, 2019. The allocation of the System Plans' assets in the Other Trust at the end of fiscal 2018, by asset category, are as follows:

Asset Category	Percentage of Plan Assets at June 30, 2018
Equity securities	68%
Fixed-income securities and real assets	31%
Cash and cash equivalents	1%
Total	<u>100%</u>

The following tables summarize fair value measurements at June 30, 2019 and 2018, by asset class and by level, for the System Plans' assets and liabilities. As also discussed in the Fair Value Measurements note, the System follows the three-level fair value hierarchy to categorize plan assets and liabilities recognized at fair value, which prioritizes the inputs used to measure such fair values. The inputs and valuation techniques discussed in the Fair Value Measurements note also apply to the System Plans' assets and liabilities as presented in the following tables.

# Ascension

## Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

### 10. Retirement Plans (continued)

	Level 1	Level 2	Level 3	Total
<b>June 30, 2019</b>				
Short-term investments	\$ 614,483	\$ 12,993	\$ -	\$ 627,476
Derivatives receivable	2,123	144,629	1,590	148,342
U.S. government, state, municipal and agency obligations	-	1,594,359	-	1,594,359
Corporate and foreign fixed income securities	-	539,310	1,057	540,367
Asset-backed securities	-	1,353,768	18,134	1,371,902
Equity securities	1,959,773	4,434	14	1,964,221
Assets at net value:				
Corporate and foreign fixed income securities				13,097
Equity securities				138,360
Private equity and real estate funds				1,314,431
Hedge funds				900,388
Commodities funds and other investments				32,396
Other receivables				187,571
Total				<u>8,832,910</u>
Derivatives payable	2,841	210,938	641	214,420
Other payables				115,387
Total				<u>329,807</u>
Fair value of plan assets				<u>\$ 8,503,103</u>

# Ascension

## Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

### 10. Retirement Plans (continued)

	Level 1	Level 2	Level 3	Total
<b>June 30, 2018</b>				
Short-term investments	\$ 480,368	\$ 57,743	\$ -	\$ 538,111
Derivatives receivable	3,461	93,046	-	96,507
U.S. government, state, municipal and agency obligations	-	1,392,245	-	1,392,245
Corporate and foreign fixed income securities	-	741,841	1,034	742,875
Asset-backed securities	-	676,429	6,078	682,507
Equity securities	2,702,687	7,073	1,778	2,711,538
Assets at net value:				
Corporate and foreign fixed income securities				10,256
Equity securities				238,192
Private equity and real estate funds				1,091,535
Hedge funds				1,057,421
Commodities funds and other investments				131,694
Other receivables				336,253
Total				9,029,134
Derivatives payable	5,061	313,649	391	319,101
Investments sold, not yet purchased	1,110	-	-	1,110
Other payables				106,213
Total				426,424
Fair value of plan assets				\$ 8,602,710

# Ascension

## Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

### 10. Retirement Plans (continued)

For the years ended June 30, 2018 and 2017, the changes in the fair value of the System Plans' assets measured using significant unobservable inputs (Level 3) consisted of the following:

	Net Derivatives	Corporate and Foreign Fixed Income Securities	Asset-Backed Securities	Equity Securities
<b>June 30, 2019</b>				
Beginning balance	\$ (391)	\$ 1,034	\$ 6,078	\$ 1,778
Total actual return on assets	1,447	1,040	(84)	(2,023)
Purchases, issuances, and settlements	(107)	(1,017)	14,101	475
Transfers into Level 3	-	-	(1,961)	(216)
Ending balance	<u>\$ 949</u>	<u>\$ 1,057</u>	<u>\$ 18,134</u>	<u>\$ 14</u>

Actual return on plan assets relating to plan assets still held at June 30, 2019	<u>\$ 1,590</u>	<u>\$ -</u>	<u>\$ (236)</u>	<u>\$ (1,917)</u>
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	Net Derivatives	Corporate and Foreign Fixed Income Securities	Asset-Backed Securities	Equity Securities
<b>June 30, 2018</b>				
Beginning balance	\$ (203)	\$ 931	\$ 4,523	\$ 12,481
Total actual return on assets	8,376	(472)	640	1,166
Purchases, issuances, and settlements	(8,564)	(1,044)	617	(12,420)
Transfers (out of) into Level 3	-	1,619	298	551
Ending balance	<u>\$ (391)</u>	<u>\$ 1,034</u>	<u>\$ 6,078</u>	<u>\$ 1,778</u>

Actual return on plan assets relating to plan assets still held at June 30, 2018	<u>\$ -</u>	<u>\$ 4</u>	<u>\$ 638</u>	<u>\$ (4)</u>
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## Ascension

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### 10. Retirement Plans (continued)

The Trust has entered into a series of swap agreements with a net notional amount of approximately \$2,706,100. The combined targeted duration of these swaps and the Trust's fixed income investments approximates the duration of the liabilities of the Trust. Currently, 50% of the dollar duration of the liability is subject to this economic hedge. The purpose of this strategy is to economically hedge the change in the net funded status for a significant portion of the liability that can occur due to changes in interest rates.

Information about the expected cash flows for the System Plans follows:

Expected employer contributions 2020	\$ 702
Expected benefit payments:	
2020	868,402
2021	669,920
2022	692,403
2023	680,410
2024	668,360
2025-2029	3,112,170

The contribution amount above includes expected amounts paid to Trusts. The benefit payment amounts above reflect the total benefits expected to be paid from Trusts.

#### Defined-Contribution Plans

System entities participate in contributory and noncontributory defined-contribution plans covering all eligible associates. There are three primary types of contributions to these plans: employer automatic contributions, employee contributions, and employer matching contributions. Benefits for employer automatic contributions are determined as a percentage of a participant's salary and, for certain entities, increases over specified periods of employee service. These benefits are funded annually, and participants become fully vested over a period of time. Benefits for employer matching contributions are determined as a percentage of an eligible participant's contributions each payroll period. These benefits are funded each payroll period, and participants become fully vested in these employer contributions over time. Expenses for the defined-contribution plans were \$382,456 and \$391,397 during 2019 and 2018, respectively, and are included in employee benefits in the Consolidated Statements of Operations and Changes in Net Assets.

## Ascension

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### **11. Self-Insurance Programs**

Certain System hospitals and other entities participate in pooled risk programs to insure professional and general liability risks and workers' compensation risks to the extent of certain self-insured limits. Within these pooled risk programs, various insurance policies have been purchased to provide coverage in excess of the self-insured limits. The System provides this self-insurance through various trust funds and captive insurance companies. Actuarially determined amounts, discounted at 5.5%, are contributed to the trust funds and the captive insurance companies to provide for the estimated cost of claims. The associated loss reserves recorded for estimated self-insured professional, general liability, and workers' compensation claims include estimates of the ultimate costs for both reported claims and claims incurred but not reported, which were discounted at 5.5% in 2019 and 2018.

Entities acquired in the Presence business combination did not participate in the Ascension pooled risk program prior to July 1, 2018. At June 30, 2019, the loss reserves for estimated self-insured professional, general liability, and workers' compensation claims reported prior to July 1, 2018 for Presence entities were actuarially determined and recorded on an undiscounted basis. The self-insured professional and general liabilities for these claims are retained up to \$20,000 per occurrence with no aggregate and subject to reinsurance by commercial carriers up to \$170,000.

#### **Professional and General Liability Programs**

Professional and general liability coverage is primarily provided on a claims-made basis through a wholly owned onshore trust and through Ascension Health Insurance, Ltd. (AHIL), a direct subsidiary of Ascension Risk Services.

The wholly owned onshore revocable trust has a self-insured retention up to \$10,000 per occurrence with no aggregate. Excess coverage is provided through AHIL with limits up to \$250,000. AHIL retains 75% of the first \$5,000 per incident and in the aggregate for professional liability. The excess coverage is reinsured by commercial carriers.

Employed physicians and certain entities in the states of Indiana, Kansas, and Wisconsin are provided coverage by ProAssurance Corporation (ProAssurance) on a fronted basis and are reinsured through AHIL. These entities and physicians are provided professional liability coverage with limits in compliance with participation in the Patient Compensation Funds. The Patient Compensation Funds apply to claims in excess of the primary self-insured limit, except the Fund in Kansas, which only covers claims up to the first \$1,000 and then the trust and AHIL cover amounts above \$1,000.

## Ascension

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### **11. Self-Insurance Programs (continued)**

Effective July 1, 2014, the reinsurance of Ascension's independent physician professional liability program with ProAssurance, the System's partner insurance company, was transferred from AHIL to Sunflower Assurance, Ltd. (Sunflower), a wholly owned subsidiary of Ascension Risk Services.

Beginning July 1, 2014, Sunflower offered physician professional liability coverage through insurance or reinsurance arrangements to nonemployed physicians practicing at the System's various facilities, primarily in Michigan, Indiana, Texas, Florida, Illinois and Alabama. Coverage is offered to physicians with limits ranging from \$100 per claim to \$1,000 per claim with various aggregate limits. Beginning July 1, 2014, AHIL offered similar coverage to employed physicians in the states of Indiana, Kansas, and Wisconsin.

Included in operating expenses in the accompanying Consolidated Statements of Operations and Changes in Net Assets is professional and general liability claim and insurance expense of \$258,473 and \$185,050 for the years ended June 30, 2019 and 2018, respectively. Included in current and long-term self-insurance liabilities on the accompanying Consolidated Balance Sheets are professional and general liability loss reserves of \$785,021 and \$867,297 at June 30, 2019 and 2018, respectively.

#### **Workers' Compensation**

Workers' compensation coverage is primarily provided on an occurrence basis through a grantor trust. The self-insured trust provides coverage up to \$1,500 per occurrence with no aggregate. The trust provides a mechanism for funding the workers' compensation obligations of its members.

Included in employee benefits in the accompanying Consolidated Statements of Operations and Changes in Net Assets is workers' compensation claim and insurance expense of \$60,092 and \$31,064 for the years ended June 30, 2019 and 2018, respectively. Included in current and long-term self-insurance liabilities on the accompanying Consolidated Balance Sheets are workers' compensation loss reserves of \$135,809 and \$135,052 at June 30, 2019 and 2018, respectively.



## Ascension

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### 12. Lease Commitments

Certain System entities are lessees under operating lease agreements for the use of space in buildings owned by third parties, including medical office buildings (MOBs) and medical and information technology equipment. In addition, certain System entities have subleased space within buildings where the entity has a current operating lease commitment. Certain System entities are also lessors under operating lease agreements, primarily ground leases related to third-party-owned MOBs on land owned by the System entity.

The System's future minimum noncancelable payments associated with operating leases with terms of one year or more where a System entity is the lessee, as well as future minimum noncancelable receipts associated with operating leases where a System entity is the sublessor or lessor, are presented in the table that follows. Future minimum payments and receipts relate to noncancelable leases with terms of one year or more.

	<b>Future Payments Where the System is Lessee</b>	<b>Future Receipts Where the System is Sublessor/Lessor</b>	<b>Net Future Payments</b>
Year ending June 30:			
2020	\$ 238,801	\$ 40,062	\$ 198,739
2021	220,172	31,590	188,582
2022	185,614	25,784	159,830
2023	153,824	20,259	133,565
2024	117,774	15,059	102,715
Thereafter	494,523	249,120	245,403
Total	<u>\$1,410,708</u>	<u>\$ 381,874</u>	<u>\$ 1,028,834</u>

Rental expense under operating leases amounted to \$460,426 and \$425,750 in 2019 and 2018, respectively.

#### 13. Related Parties

The System has agreements with related parties for revenue cycle management services and clinical engineering services. The System expensed approximately \$1,076,000 and \$877,000 for these services during the years ended June 30, 2019 and 2018.

## Ascension

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### 14. Contingencies and Commitments

The System is involved in litigation and regulatory investigations arising in the ordinary course of business. In the opinion of management, after consultation with legal counsel, these matters are expected to be resolved without material adverse effect on the System's Consolidated Balance Sheet.

The System enters into agreements with non-employed physicians that include minimum revenue guarantees. The terms of the guarantees vary. The maximum amount of future payments that the System could be required to make under these guarantees is approximately \$6,000.

The System entered into Master Service Agreements for information technology services provided by third parties. The maximum amount of future payments that the System could be required to make under these agreements is approximately \$234,700.

Guarantees and other commitments represent contingent commitments issued by Ascension Health Alliance Senior and Subordinate Credit Groups, generally to guarantee the performance of an affiliate to a third party in borrowing arrangements such as commercial paper issuances, bond financing, and other transactions. The terms of guarantees are equal to the terms of the related debt, which can be as long as 21 years. The following represents the remaining guarantees and other commitments of the Senior and Subordinate Credit Groups at June 30, 2019:

Hospital de la Concepción 2017 Series A debt guarantee	\$	23,330
St. Vincent de Paul Series 2000 A debt guarantee		28,300
Other guarantees and commitments		28,800

## Ascension

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### 15. Functional Expenses

Ascension provides healthcare services, including inpatient, outpatient, ambulatory, long-term care and community-based services. Management support services include administration, finance and accounting, revenue cycle, information technology, public relations, human resources, legal, supply chain, risk management, compliance and other functions. Expenses are allocated to healthcare services and management support services based on the functional department for which they are incurred. Departmental expenses may include various allocations of costs based on direct assignment, expenses or other methods.

Expenses by functional classification for the year ended June 30, 2019 consist of the following:

	<b>Health care services</b>	<b>Management support services</b>	<b>Total</b>
Salaries, wages, and employee benefits	\$ 11,223,019	\$ 907,310	\$ 12,130,329
Purchased services and professional fees	2,969,789	1,067,227	4,037,016
Supplies	3,718,193	3,169	3,721,362
Other	4,443,955	455,034	4,898,989
Total operating expenses	<b>\$ 22,354,956</b>	<b>\$ 2,432,740</b>	<b>\$ 24,787,696</b>

Expenses by functional classification for the year ended June 30, 2018 consist of the following:

	<b>Health care services</b>	<b>Management support services</b>	<b>Total</b>
Salaries, wages, and employee benefits	\$ 10,418,477	\$ 844,842	\$ 11,263,319
Purchased services and professional fees	2,617,701	961,651	3,579,352
Supplies	3,385,079	2,143	3,387,222
Other	4,171,544	487,711	4,659,255
Total operating expenses	<b>\$ 20,592,801</b>	<b>\$ 2,296,347</b>	<b>\$ 22,889,148</b>

## Supplementary Information

**ASCENSION HEALTH ALLIANCE D/B/A ASCENSION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Fiscal Period 7/1/2018 - 6/30/2019**

<i>Federal Awarding Agency/Program Title</i>	<i>Federal CFDA Number</i>	<i>Additional Award Identification (Optional)</i>	<i>Name of Funder Pass-Through Entity</i>	<i>Identifying Number Assigned By Funder Pass-Through Entity</i>	<i>Health Ministry</i>	<i>Total Amount Provided to Sub-Recipients</i>	<i>Federal Expenditures</i>	<i>Federal Program Total</i>	<i>Cluster Name</i>	<i>Cluster Total</i>
<b>DEPARTMENT OF AGRICULTURE</b>										
FOOD INSECURITY NUTRITION INCENTIVE GRANTS PROGRAM	10.331				Illinois		\$121,753	\$121,753	N/A	\$0
NATIONAL SCHOOL LUNCH PROGRAM	10.555		ILLINOIS DEPARTMENT OF AGRICULTURE	SDA1202047	Ascension Living		\$31,085	\$31,085	N/A	\$0
SPECIAL SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANTS, AND CHILDREN	10.557		INDIANA STATE DEPARTMENT OF HEALTH	A70-S-070661	Indiana		\$724,806	\$724,806	N/A	\$0
CHILD AND ADULT CARE FOOD PROGRAM	10.558		ILLINOIS STATE BOARD OF EDUCATION	06016148P00	Illinois		\$24,474	\$83,759	N/A	\$0
CHILD AND ADULT CARE FOOD PROGRAM	10.558		KANSAS STATE DEPARTMENT OF EDUCATION	2091501	Kansas		\$24,458	\$83,759	N/A	\$0
CHILD AND ADULT CARE FOOD PROGRAM	10.558		ILLINOIS STATE BOARD OF EDUCATION	56099069P00	Ascension Living		\$33,285	\$83,759	N/A	\$0
CHILD AND ADULT CARE FOOD PROGRAM	10.558		ILLINOIS DEPARTMENT OF AGRICULTURE	SDA1202047	Ascension Living		\$1,542	\$83,759	N/A	\$0
DISTANCE LEARNING AND TELEMEDICINE LOANS AND GRANTS	10.855				Wisconsin		\$19,474	\$19,474	N/A	\$0
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>							\$980,877			
<b>DEPARTMENT OF DEFENSE</b>										
MILITARY MEDICAL RESEARCH AND DEVELOPMENT	12.420		UNIVERSITY OF COLORADO DENVER	W81XWH-15-1-0504 / FY16.794.006, AMD #1	Texas		\$52,676	\$52,676	RESEARCH AND DEVELOPMENT	\$2,784,700
<b>TOTAL DEPARTMENT OF DEFENSE</b>							\$52,676			
<b>DEPARTMENT OF JUSTICE</b>										
CRIME VICTIM ASSISTANCE	16.575		INDIANA CRIMINAL JUSTICE INSTITUTE	2014-VA-GX-0062/2016-VA-GX-0017 / 5414	Indiana		\$27,983	\$713,651	N/A	\$0
CRIME VICTIM ASSISTANCE	16.575		MICHIGAN DEPARTMENT OF HEALTH AND HUMAN SERVICES	E20192072-00	Michigan		\$290,849	\$713,651	N/A	\$0
CRIME VICTIM ASSISTANCE	16.575		MICHIGAN DEPARTMENT OF HEALTH AND HUMAN SERVICES	E20182304-00	Michigan		\$104,607	\$713,651	N/A	\$0
CRIME VICTIM ASSISTANCE	16.575		CHILD ADVOCACY CENTERS OF ILLINOIS	216003	Illinois		\$290,212	\$713,651	N/A	\$0
DRUG COURT DISCRETIONARY GRANT PROGRAM	16.585		COOK COUNTY STATE'S ATTORNEY'S OFFICE	2017-DC-BX-0001 / 1823-17176	Illinois		\$46,346	\$46,346	N/A	\$0
EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT PROGRAM	16.738		KANSAS CRIMINAL JUSTICE COORDINATING COUNCIL	2017-MU-BX-0054	Kansas		\$108,373	\$108,373	N/A	\$0
<b>TOTAL DEPARTMENT OF JUSTICE</b>							\$868,370			
<b>DEPARTMENT OF TRANSPORTATION</b>										
ENHANCED MOBILITY OF SENIORS AND INDIVIDUALS WITH DISABILITIES	20.513		KANSAS DEPARTMENT OF TRANSPORTATION	PT-0079-18 012190219	Kansas		\$54,437	\$54,437	TRANSIT SERVICES PROGRAMS CLUSTER	\$54,437
STATE AND COMMUNITY HIGHWAY SAFETY	20.600		TEXAS DEPARTMENT OF TRANSPORTATION	2018-DCMCT-G-1YG-0220	Texas		\$176,175	\$176,175	HIGHWAY SAFETY CLUSTER	\$176,175
<b>TOTAL DEPARTMENT OF TRANSPORTATION</b>							\$230,612			

**ASCENSION HEALTH ALLIANCE D/B/A ASCENSION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)**  
**Fiscal Period 7/1/2018 - 6/30/2019**

<i>Federal Awarding Agency/Program Title</i>	<i>Federal CFDA Number</i>	<i>Additional Award Identification (Optional)</i>	<i>Name of Funder Pass-Through Entity</i>	<i>Identifying Number Assigned By Funder Pass-Through Entity</i>	<i>Health Ministry</i>	<i>Total Amount Provided to Sub-Recipients</i>	<i>Federal Expenditures</i>	<i>Federal Program Total</i>	<i>Cluster Name</i>	<i>Cluster Total</i>
<b>DEPARTMENT OF EDUCATION</b>										
SPECIAL EDUCATION-GRANTS FOR INFANTS AND FAMILIES	84.181		FLORIDA DEPARTMENT OF HEALTH	COQZN	Florida		\$825,974	\$825,974	N/A	\$0
<b>TOTAL DEPARTMENT OF EDUCATION</b>							\$825,974			
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>										
HOSPITAL PREPAREDNESS PROGRAM (HPP) AND PUBLIC HEALTH EMERGENCY PREPAREDNESS (PHEP) ALIGNED COOPERATIVE AGREEMENTS	93.074		MARYLAND DEPARTMENT OF HEALTH, OFFICE OF PREPAREDNESS AND RESPONSE	BUDGET PERIOD 1 - SUPPLEMENTAL	Baltimore		\$25,000	\$45,650	N/A	\$0
HOSPITAL PREPAREDNESS PROGRAM (HPP) AND PUBLIC HEALTH EMERGENCY PREPAREDNESS (PHEP) ALIGNED COOPERATIVE AGREEMENTS	93.074		INDIANA DISTRICT 5 HEALTHCARE COALITION, INC.	H3HRH00003	Indiana		\$3,150	\$45,650	N/A	\$0
HOSPITAL PREPAREDNESS PROGRAM (HPP) AND PUBLIC HEALTH EMERGENCY PREPAREDNESS (PHEP) ALIGNED COOPERATIVE AGREEMENTS	93.074				Illinois		\$17,500	\$45,650	N/A	\$0
BLOOD DISORDER PROGRAM: PREVENTION, SURVEILLANCE, AND RESEARCH	93.080		UNIVERSITY OF TEXAS HEALTH SCIENCE CENTER AT HOUSTON	0011472Q	Texas		\$17,684	\$17,684	RESEARCH AND DEVELOPMENT	\$2,784,700
PREVENTION OF DISEASE, DISABILITY, AND DEATH THROUGH IMMUNIZATION AND CONTROL OF RESPIRATORY AND RELATED DISEASES	93.083		VANDERBILT UNIVERSITY MEDICAL CENTER	1U01IP000979 / VUMC 57039	Tennessee		\$46,312	\$46,312	RESEARCH AND DEVELOPMENT	\$2,784,700
MATERNAL AND CHILD HEALTH FEDERAL CONSOLIDATED PROGRAMS	93.110		UNIVERSITY OF TEXAS HEALTH SCIENCE CENTER AT HOUSTON	5H.00MC240051-08 / 0012728Q	Texas		\$25,216	\$205,158	N/A	\$0
MATERNAL AND CHILD HEALTH FEDERAL CONSOLIDATED PROGRAMS	93.110		BOSTON UNIVERSITY	229712	Texas		\$179,942	\$205,158	N/A	\$0
AFFORDABLE CARE ACT (ACA) ABSTINENCE EDUCATION PROGRAM	93.235		MICHIGAN DEPARTMENT OF HEALTH AND HUMAN SERVICES	E20182450-00	Michigan		\$69,174	\$69,174	N/A	\$0
MENTAL HEALTH RESEARCH GRANTS	93.242		UNIVERSITY OF TEXAS AUSTIN	5R01MH104562-04 / UTA14-001033, AMD #3	Texas		\$53,637	\$62,315	RESEARCH AND DEVELOPMENT	\$2,784,700
MENTAL HEALTH RESEARCH GRANTS	93.242		COLUMBIA UNIVERSITY	5R01MH104606-04 / 5(GG009422)	Texas		\$8,678	\$62,315	RESEARCH AND DEVELOPMENT	\$2,784,700
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES_PROJECTS OF REGIONAL AND NATIONAL SIGNIFICANCE	93.243		MARYLAND DEPARTMENT OF HEALTH	BHA SBIRT - AS-486	Baltimore		\$45,645	\$558,460	N/A	\$0
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES_PROJECTS OF REGIONAL AND NATIONAL SIGNIFICANCE	93.243				Indiana		\$92,584	\$558,460	N/A	\$0
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES_PROJECTS OF REGIONAL AND NATIONAL SIGNIFICANCE	93.243				Indiana		\$127,539	\$558,460	N/A	\$0
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES_PROJECTS OF REGIONAL AND NATIONAL SIGNIFICANCE	93.243		COUNTY OF COOK	18T181074A / 1853-17648	Illinois		\$44,437	\$558,460	N/A	\$0
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES_PROJECTS OF REGIONAL AND NATIONAL SIGNIFICANCE	93.243				Michigan		\$248,255	\$558,460	N/A	\$0
ALCOHOL RESEARCH PROGRAMS	93.273		RHODE ISLAND HOSPITAL	1R01AA025914 / 7017137290-1	Texas		\$24,234	\$24,234	RESEARCH AND DEVELOPMENT	\$2,784,700
SMALL RURAL HOSPITAL IMPROVEMENT GRANT PROGRAM	93.301		WISCONSIN OFFICE OF RURAL HEALTH	H3HRH00007	Wisconsin		\$9,660	\$84,998	N/A	\$0
SMALL RURAL HOSPITAL IMPROVEMENT GRANT PROGRAM	93.301		WISCONSIN OFFICE OF RURAL HEALTH	H3HRH00007	Wisconsin		\$9,660	\$84,998	N/A	\$0
SMALL RURAL HOSPITAL IMPROVEMENT GRANT PROGRAM	93.301		MINNESOTA DEPARTMENT OF HEALTH	2 H3HRH00034-12-00	Wisconsin		\$9,717	\$84,998	N/A	\$0
SMALL RURAL HOSPITAL IMPROVEMENT GRANT PROGRAM	93.301		WISCONSIN OFFICE OF RURAL HEALTH	H3HRH00007	Wisconsin		\$9,660	\$84,998	N/A	\$0
SMALL RURAL HOSPITAL IMPROVEMENT GRANT PROGRAM	93.301		WISCONSIN OFFICE OF RURAL HEALTH	H3HRH00007	Wisconsin		\$9,660	\$84,998	N/A	\$0
SMALL RURAL HOSPITAL IMPROVEMENT GRANT PROGRAM	93.301		WISCONSIN OFFICE OF RURAL HEALTH	H3HRH00007	Wisconsin		\$9,660	\$84,998	N/A	\$0
SMALL RURAL HOSPITAL IMPROVEMENT GRANT PROGRAM	93.301		THE ALABAMA HOSPITAL ASSOCIATIONS	C60112114	Alabama		\$8,830	\$84,998	N/A	\$0
SMALL RURAL HOSPITAL IMPROVEMENT GRANT PROGRAM	93.301		THE ALABAMA HOSPITAL ASSOCIATIONS	C60112114	Alabama		\$8,830	\$84,998	N/A	\$0
SMALL RURAL HOSPITAL IMPROVEMENT GRANT PROGRAM	93.301		KANSAS DEPARTMENT OF HEALTH & ENVIRONMENT	H3HRH00019	Kansas		\$9,321	\$84,998	N/A	\$0

**ASCENSION HEALTH ALLIANCE D/B/A ASCENSION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)**  
**Fiscal Period 7/1/2018 - 6/30/2019**

<i>Federal Awarding Agency/Program Title</i>	<i>Federal CFDA Number</i>	<i>Additional Award Identification (Optional)</i>	<i>Name of Funder Pass-Through Entity</i>	<i>Identifying Number Assigned By Funder Pass-Through Entity</i>	<i>Health Ministry</i>	<i>Total Amount Provided to Sub-Recipients</i>	<i>Federal Expenditures</i>	<i>Federal Program Total</i>	<i>Cluster Name</i>	<i>Cluster Total</i>
TRANS-NIH RESEARCH SUPPORT	93.310		THE GENERAL HOSPITAL CORP. D/B/A MASSACHUSETTS GENERAL HOSPITAL	233284	Texas		\$1,066	\$1,066	RESEARCH AND DEVELOPMENT	\$2,784,700
COOPERATIVE AGREEMENT TO SUPPORT NAVIGATORS IN FEDERALLY-FACILITATED AND STATE PARTNERSHIP MARKETPLACES	93.332				System Office (Via Christi)		\$19,244	\$442,097	N/A	\$0
COOPERATIVE AGREEMENT TO SUPPORT NAVIGATORS IN FEDERALLY-FACILITATED AND STATE PARTNERSHIP MARKETPLACES	93.332				Florida	\$109,799	\$347,216	\$442,097	N/A	\$0
COOPERATIVE AGREEMENT TO SUPPORT NAVIGATORS IN FEDERALLY-FACILITATED AND STATE PARTNERSHIP MARKETPLACES	93.332				Kansas		\$75,637	\$442,097	N/A	\$0
NURSING RESEARCH	93.361		WAYNE STATE UNIVERSITY	5R01NR15768-03 / WSU19064	Michigan		\$9,064	\$9,064	RESEARCH AND DEVELOPMENT	\$2,784,700
CANCER TREATMENT RESEARCH	93.395		UNIVERSITY OF IOWA ECOG ACRIN CANCER RESEARCH GROUP	NONE	Wisconsin		\$100	\$2,176,725	RESEARCH AND DEVELOPMENT	\$2,784,700
CANCER TREATMENT RESEARCH	93.395		ALLIANCE FOR CLINICAL TRIALS IN ONCOLOGY	NONE	Wisconsin		\$2,250	\$2,176,725	RESEARCH AND DEVELOPMENT	\$2,784,700
CANCER TREATMENT RESEARCH	93.395		ECOG ACRIN CANCER RESEARCH GROUP	NONE	Wisconsin		\$27,681	\$2,176,725	RESEARCH AND DEVELOPMENT	\$2,784,700
CANCER TREATMENT RESEARCH	93.395		NRG ONCOLOGY FOUNDATION INC	NONE	Wisconsin		\$2,950	\$2,176,725	RESEARCH AND DEVELOPMENT	\$2,784,700
CANCER TREATMENT RESEARCH	93.395		THE CHILDREN'S HOSPITAL OF PHILADELPHIA	U10CA180886 / FP00022424_SUB85_01	Indiana		\$7,850	\$2,176,725	RESEARCH AND DEVELOPMENT	\$2,784,700
CANCER TREATMENT RESEARCH	93.395		WASHINGTON UNIVERSITY OF ST. LOUIS	UG1CA189867 / WU-15-365	Indiana		\$30,500	\$2,176,725	RESEARCH AND DEVELOPMENT	\$2,784,700
CANCER TREATMENT RESEARCH	93.395		WASHINGTON UNIVERSITY OF ST. LOUIS	U10CA18068 / WU-15-365	Indiana		\$2,976	\$2,176,725	RESEARCH AND DEVELOPMENT	\$2,784,700
CANCER TREATMENT RESEARCH	93.395		WASHINGTON UNIVERSITY OF ST. LOUIS	U10CA18068 / WU-15-365	Indiana		\$694	\$2,176,725	RESEARCH AND DEVELOPMENT	\$2,784,700
CANCER TREATMENT RESEARCH	93.395		WASHINGTON UNIVERSITY OF ST. LOUIS	U10CA18068 / WU-15-366	Indiana		\$893	\$2,176,725	RESEARCH AND DEVELOPMENT	\$2,784,700
CANCER TREATMENT RESEARCH	93.395		ST. JOSEPH MERCY HEALTH SYSTEM	MI013	Michigan		\$126,500	\$2,176,725	RESEARCH AND DEVELOPMENT	\$2,784,700
CANCER TREATMENT RESEARCH	93.395		ST. JOSEPH MERCY HEALTH SYSTEM	MI013	Michigan		\$101,950	\$2,176,725	RESEARCH AND DEVELOPMENT	\$2,784,700
CANCER TREATMENT RESEARCH	93.395		NRG ONCOLOGY FOUNDATION INC FRONTIER SCIENCE AND TECHNOLOGY RESEARCH FOUNDATION	TFED41S2EXT-753	Texas		\$27,984	\$2,176,725	RESEARCH AND DEVELOPMENT	\$2,784,700
CANCER TREATMENT RESEARCH	93.395			PSAUMCB00	Texas		\$29,570	\$2,176,725	RESEARCH AND DEVELOPMENT	\$2,784,700
CANCER TREATMENT RESEARCH	93.395		UNIVERSITY OF TEXAS HEALTH SCIENCE CENTER AT SAN ANTONIO	163027	Texas		\$122,724	\$2,176,725	RESEARCH AND DEVELOPMENT	\$2,784,700
CANCER TREATMENT RESEARCH	93.395		UNIVERSITY OF TEXAS HEALTH SCIENCE CENTER AT SAN ANTONIO	163028	Texas		\$30,000	\$2,176,725	RESEARCH AND DEVELOPMENT	\$2,784,700
CANCER TREATMENT RESEARCH	93.395				Kansas		\$124,140	\$2,176,725	RESEARCH AND DEVELOPMENT	\$2,784,700
CANCER TREATMENT RESEARCH	93.395				Kansas		\$1,527,000	\$2,176,725	RESEARCH AND DEVELOPMENT	\$2,784,700
CANCER TREATMENT RESEARCH IMPROVING THE HEALTH OF AMERICANS THROUGH PREVENTION AND MANAGEMENT OF DIABETES AND HEART DISEASE AND STROKE	93.395		OREGON HEALTH & SCIENCE UNIVERSITY	5U10CA180888-05	Kansas		\$10,963	\$2,176,725	RESEARCH AND DEVELOPMENT	\$2,784,700
	93.426		INDIANA STATE DEPARTMENT OF HEALTH	32247	Indiana		\$1,371	\$1,371	N/A	\$0
TEMPORARY ASSISTANCE FOR NEEDY FAMILIES	93.558		STATE OF WISCONSIN DEPARTMENT OF HEALTH SERVICES/WINNEBAGO COUNTY	NONE	Wisconsin		\$4,692	\$21,612	TANF CLUSTER	\$21,612
TEMPORARY ASSISTANCE FOR NEEDY FAMILIES	93.558		STATE OF WISCONSIN DEPARTMENT OF HEALTH SERVICES/PORTAGE COUNTY	NONE	Wisconsin		\$3,279	\$21,612	TANF CLUSTER	\$21,612
TEMPORARY ASSISTANCE FOR NEEDY FAMILIES	93.558		STATE OF WISCONSIN DEPARTMENT OF HEALTH SERVICES/OUTAGAMIE COUNTY	NONE	Wisconsin		\$12,876	\$21,612	TANF CLUSTER	\$21,612
TEMPORARY ASSISTANCE FOR NEEDY FAMILIES	93.558		STATE OF WISCONSIN DEPARTMENT OF HEALTH SERVICES/WAUPACA COUNTY	NONE	Wisconsin		\$765	\$21,612	TANF CLUSTER	\$21,612

**ASCENSION HEALTH ALLIANCE D/B/A ASCENSION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)**  
**Fiscal Period 7/1/2018 - 6/30/2019**

<b>Federal Awarding Agency/Program Title</b>	<b>Federal CFDA Number</b>	<b>Additional Award Identification (Optional)</b>	<b>Name of Funder Pass-Through Entity</b>	<b>Identifying Number Assigned By Funder Pass-Through Entity</b>	<b>Health Ministry</b>	<b>Total Amount Provided to Sub-Recipients</b>	<b>Federal Expenditures</b>	<b>Federal Program Total</b>	<b>Cluster Name</b>	<b>Cluster Total</b>
ACA-TRANSFORMING CLINICAL PRACTICE INITIATIVE: PRACTICE TRANSFORMATION NETWORKS (PTNS)	93.638		VANDERBILT UNIVERSITY MEDICAL CENTER	1L1CMS331549-02-00 / VUMC 57486	Tennessee		\$28,428	\$66,644	RESEARCH AND DEVELOPMENT	\$2,784,700
ACA-TRANSFORMING CLINICAL PRACTICE INITIATIVE: PRACTICE TRANSFORMATION NETWORKS (PTNS)	93.638		VANDERBILT UNIVERSITY MEDICAL CENTER	1L1CMS331549-03-00 / VUMC 57486	Tennessee		\$38,216	\$66,644	RESEARCH AND DEVELOPMENT	\$2,784,700
ACCOUNTABLE HEALTH COMMUNITIES	93.650				Illinois		\$164,904	\$164,904	N/A	\$0
SOCIAL SERVICES BLOCK GRANT	93.667		STATE OF WISCONSIN DEPARTMENT OF HEALTH SERVICES/WINNEBAGO COUNTY	NONE	Wisconsin		\$8,756	\$101,701	N/A	\$0
SOCIAL SERVICES BLOCK GRANT	93.667		STATE OF WISCONSIN DEPARTMENT OF HEALTH SERVICES/PORTAGE COUNTY	NONE	Wisconsin		\$6,121	\$101,701	N/A	\$0
SOCIAL SERVICES BLOCK GRANT	93.667		STATE OF WISCONSIN DEPARTMENT OF HEALTH SERVICES/OUTAGAMIE COUNTY	NONE	Wisconsin		\$24,032	\$101,701	N/A	\$0
SOCIAL SERVICES BLOCK GRANT	93.667		STATE OF WISCONSIN DEPARTMENT OF HEALTH SERVICES/WAUPACA COUNTY	NONE	Wisconsin		\$1,428	\$101,701	N/A	\$0
SOCIAL SERVICES BLOCK GRANT	93.667		STATE OF ILLINOIS	18011LS0SR / 444-80-1217	Illinois		\$61,364	\$101,701	N/A	\$0
STATE PUBLIC HEALTH ACTIONS TO PREVENT AND CONTROL DIABETES, HEART DISEASE, OBESITY AND ASSOCIATED RISK FACTORS AND PROMOTE SCHOOL HEALTH FINANCED IN PART BY PREVENTION AND PUBLIC HEALTH FUNDING (PPHF)	93.757		INDIANA STATE DEPARTMENT OF HEALTH	NUS8DP004806 / 26729	Indiana		\$3,000	\$3,000	N/A	\$0
PREVENTIVE HEALTH AND HEALTH SERVICES BLOCK GRANT FUNDED SOLELY WITH PREVENTION AND PUBLIC HEALTH FUNDS (PPHF)	93.758		MICHIGAN DEPARTMENT OF HEALTH AND HUMAN SERVICES	E20182473-001	Michigan		\$7,977	\$7,977	N/A	\$0
OPIOID STR	93.788		STATE OF WISCONSIN DEPARTMENT OF HEALTH SERVICES	PORTAGE COUNTY	Wisconsin		\$44,320	\$74,628	N/A	\$0
OPIOID STR	93.788		STATE OF ILLINOIS	T1080231 / 444-26-1537	Illinois		\$20,292	\$74,628	N/A	\$0
OPIOID STR	93.788		STATE OF ILLINOIS	H79TI081699 / 444-26-1747	Illinois		\$10,016	\$74,628	N/A	\$0
CARDIOVASCULAR DISEASES RESEARCH	93.837		BRIGHAM AND WOMEN'S HOSPITAL	5U01HL101422-03	Wisconsin		\$3,350	\$47,758	RESEARCH AND DEVELOPMENT	\$2,784,700
CARDIOVASCULAR DISEASES RESEARCH	93.837		DUKE UNIVERSITY	U10HL084904 / 1631	Indiana		\$28,225	\$47,758	RESEARCH AND DEVELOPMENT	\$2,784,700
CARDIOVASCULAR DISEASES RESEARCH	93.837		NEW YORK UNIVERSITY SCHOOL OF MEDICINE	135562309	Michigan		\$5,212	\$47,758	RESEARCH AND DEVELOPMENT	\$2,784,700
CARDIOVASCULAR DISEASES RESEARCH	93.837		UNIVERSITY OF TEXAS AT AUSTIN	1R01HL123865-01A1 / UTA15-000471, AMD 2	Texas		\$10,971	\$47,758	RESEARCH AND DEVELOPMENT	\$2,784,700
LUNG DISEASES RESEARCH	93.838		SEATTLE CHILDREN'S HOSPITAL	11011SUB	Texas		\$2,646	\$2,646	RESEARCH AND DEVELOPMENT	\$2,784,700
BLOOD DISEASES AND RESOURCES RESEARCH	93.839				Texas		\$144,693	\$154,893	RESEARCH AND DEVELOPMENT	\$2,784,700
BLOOD DISEASES AND RESOURCES RESEARCH	93.839		ALL CHILDREN'S RESEARCH INSTITUTE, INC.	ACRI 36-001 AMD 1	Texas		\$200	\$154,893	RESEARCH AND DEVELOPMENT	\$2,784,700
BLOOD DISEASES AND RESOURCES RESEARCH	93.839		RUTGERS - THE STATE UNIVERSITY OF NEW JERSEY	U01HL133817 / 5U01HL-133817-03	Illinois		\$10,000	\$154,893	RESEARCH AND DEVELOPMENT	\$2,784,700
EXTRAMURAL RESEARCH PROGRAMS IN THE NEUROSCIENCES AND NEUROLOGICAL DISORDERS	93.853		UNIVERSITY OF TEXAS AT AUSTIN	UTA17-000609	Wisconsin		\$1,429	\$22,432	RESEARCH AND DEVELOPMENT	\$2,784,700
EXTRAMURAL RESEARCH PROGRAMS IN THE NEUROSCIENCES AND NEUROLOGICAL DISORDERS	93.853		MAYO CLINIC JACKSONVILLE	U01NS080168 / 5U01NS080168-06	Oklahoma		\$6,100	\$22,432	RESEARCH AND DEVELOPMENT	\$2,784,700
EXTRAMURAL RESEARCH PROGRAMS IN THE NEUROSCIENCES AND NEUROLOGICAL DISORDERS	93.853		UNIVERSITY OF CALIFORNIA SAN FRANCISCO	1U01 NS086090-05 / 78965C, AMD 3	Texas		\$4,148	\$22,432	RESEARCH AND DEVELOPMENT	\$2,784,700
EXTRAMURAL RESEARCH PROGRAMS IN THE NEUROSCIENCES AND NEUROLOGICAL DISORDERS	93.853		MAYO CLINIC JACKSONVILLE	5U01NS080168-04	Texas		\$10,755	\$22,432	RESEARCH AND DEVELOPMENT	\$2,784,700
ALLERGY, IMMUNOLOGY AND TRANSPLANTATION RESEARCH	93.855		THE GENERAL HOSPITAL CORP. D/B/A MASSACHUSETTS GENERAL HOSPITAL	225488, AMD 2	Texas		\$2,898	\$22,418	RESEARCH AND DEVELOPMENT	\$2,784,700
ALLERGY, IMMUNOLOGY AND TRANSPLANTATION RESEARCH	93.855		THE GENERAL HOSPITAL CORP. D/B/A MASSACHUSETTS GENERAL HOSPITAL	229712	Texas		\$19,520	\$22,418	RESEARCH AND DEVELOPMENT	\$2,784,700
CHILD HEALTH AND HUMAN DEVELOPMENT EXTRAMURAL RESEARCH	93.865		YALE UNIVERSITY	GR101219	Texas		\$11,392	\$11,392	RESEARCH AND DEVELOPMENT	\$2,784,700
AGING RESEARCH	93.866		UNIVERSITY OF PENNSYLVANIA	10045513	System Office (Ascension Technologies)		\$27,209	\$27,209	RESEARCH AND DEVELOPMENT	\$2,784,700



**ASCENSION HEALTH ALLIANCE D/B/A ASCENSION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)**  
**Fiscal Period 7/1/2018 - 6/30/2019**

<i>Federal Awarding Agency/Program Title</i>	<i>Federal CFDA Number</i>	<i>Additional Award Identification (Optional)</i>	<i>Name of Funder Pass-Through Entity</i>	<i>Identifying Number Assigned By Funder Pass-Through Entity</i>	<i>Health Ministry</i>	<i>Total Amount Provided to Sub-Recipients</i>	<i>Federal Expenditures</i>	<i>Federal Program Total</i>	<i>Cluster Name</i>	<i>Cluster Total</i>
NATIONAL BIOTERRORISM HOSPITAL PREPAREDNESS PROGRAM	93.889		TEXAS DEPT OF HLTH SERVICES/CAPITAL AREA TRAUMA REG ADVISORY COUNCIL	NONE	Texas		\$35,244	\$35,244	N/A	\$0
CANCER PREVENTION AND CONTROL PROGRAMS FOR STATE, TERRITORIAL AND TRIBAL ORGANIZATIONS	93.898		STATE OF ILLINOIS	1NU58DP006315-01-00 / 96180021G	Illinois		\$53,000	\$172,025	N/A	\$0
CANCER PREVENTION AND CONTROL PROGRAMS FOR STATE, TERRITORIAL AND TRIBAL ORGANIZATIONS	93.898		STATE OF ILLINOIS	5NU58DP006315-02-00 / 96180021G	Illinois		\$119,025	\$172,025	N/A	\$0
CARE PREPAREDNESS PROGRAM	93.899		MINNESOTA DEPARTMENT OF HEALTH	NONE	Wisconsin		\$1,000	\$1,000	N/A	\$0
HIV CARE FORMULA GRANTS	93.917		LUTHERAN SERVICES OF FLORIDA, INC.	HV003	Florida		\$141,743	\$141,743	N/A	\$0
HIV PREVENTION ACTIVITIES, HEALTH DEPARTMENT BASED	93.940		TEXAS DEPARTMENT OF HEALTH SERVICES	229712	Texas		\$106,993	\$106,993	N/A	\$0
BLOCK GRANTS FOR COMMUNITY MENTAL HEALTH SERVICES	93.958		STATE OF ILLINOIS	SM01001819/SM01001818 / 444-22-1200	Illinois		\$124,499	\$124,499	N/A	\$0
BLOCK GRANTS FOR PREVENTION AND TREATMENT OF SUBSTANCE ABUSE	93.959		STATE OF WISCONSIN DEPARTMENT OF HEALTH SERVICES	BH19005	Wisconsin		\$95,675	\$717,280	N/A	\$0
BLOCK GRANTS FOR PREVENTION AND TREATMENT OF SUBSTANCE ABUSE	93.959		STATE OF WISCONSIN DEPARTMENT OF HEALTH SERVICES	BH1845	Wisconsin		\$125,025	\$717,280	N/A	\$0
BLOCK GRANTS FOR PREVENTION AND TREATMENT OF SUBSTANCE ABUSE	93.959		STATE OF WISCONSIN DEPARTMENT OF HEALTH SERVICES	NONE	Wisconsin		\$93,559	\$717,280	N/A	\$0
BLOCK GRANTS FOR PREVENTION AND TREATMENT OF SUBSTANCE ABUSE	93.959		MACOMB COUNTY COMMUNITY MENTAL HEALTH	16385400	Michigan		\$146,790	\$717,280	N/A	\$0
BLOCK GRANTS FOR PREVENTION AND TREATMENT OF SUBSTANCE ABUSE	93.959		OAKLAND COUNTY COMMUNITY MENTAL HEALTH AUTHORITY	830617986	Michigan		\$97,324	\$717,280	N/A	\$0
BLOCK GRANTS FOR PREVENTION AND TREATMENT OF SUBSTANCE ABUSE	93.959		STATE OF ILLINOIS	TI010018-18	Illinois		\$20,600	\$717,280	N/A	\$0
BLOCK GRANTS FOR PREVENTION AND TREATMENT OF SUBSTANCE ABUSE	93.959		STATE OF ILLINOIS	TI010018-18/TI1010018-19 / 444-26-0724	Illinois		\$138,307	\$717,280	N/A	\$0
MATERNAL AND CHILD HEALTH SERVICES BLOCK GRANT TO THE STATES	93.994		INDIANA STATE DEPARTMENT OF HEALTH	22326	Indiana		\$73,679	\$382,282	N/A	\$0
MATERNAL AND CHILD HEALTH SERVICES BLOCK GRANT TO THE STATES	93.994		TEXAS DEPARTMENT OF HEALTH SERVICES	229712	Texas		\$308,603	\$382,282	N/A	\$0
ASSESSMENT OF ACUTE ILLNESS AND INJURY TO ENHANCE THE U.S. RESPONSE TO PUBLIC HEALTH EMERGENCIES	93.RD	HHSF223201400115C	UNIVERSITY OF SOUTHERN CALIFORNIA	84614947	Baltimore		\$39,232	\$39,232	RESEARCH AND DEVELOPMENT	\$2,784,700
<b>TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>							\$109,799	\$6,193,820		
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>							\$109,799	\$9,152,329		

**Please Note:**

*Italicized award lines indicate pass-through funding*

*See accompanying notes to the schedule of expenditures of federal and state of Wisconsin awards.*

Ascension

Schedule of Expenditures of State of Wisconsin Awards

June 30, 2019

State Program Title	State ID Number	State Grantor	Pass-Through Grantor	Health Ministry	Hospital	State of Wisconsin Expenditures
Low Income Dental Clinics	435.170000	Wisconsin Department of Health Services	CAP Services, Inc.	Wisconsin	Ascension St. Michaels Hospital/Dental Center	\$ 33,934
WI DHS New GME Program	435.123	Wisconsin Department of Health Services	None	Wisconsin	Ascension St. Michael's Hospital	58,338
Advanced Practice Clinicians Training Grant	435.197	Wisconsin Department of Health Services	None	Wisconsin	Ascension St. Mary's Hospital	9,900
Urban/Rural Women County	435.547	Wisconsin Department of Health Services	The Human Service Center	Wisconsin	Ascension St. Mary's Hospital	15,167
Basic County Allocation	435.561	Wisconsin Department of Health Services	Portage County	Wisconsin	Ascension St. Michaels Hospital/Ministry Behavioral Health	35,148
Basic County Allocation	435.561	Wisconsin Department of Health Services	Outagamie County	Wisconsin	Ascension St. Michaels Hospital/Ministry Behavioral Health	138,047
Basic County Allocation	435.561	Wisconsin Department of Health Services	Waupaca County	Wisconsin	Ascension St. Michaels Hospital/Ministry Behavioral Health	8,206
Basic County Allocation	435.561	Wisconsin Department of Health Services	Winnebago County	Wisconsin	Ascension St. Michaels Hospital/Ministry Behavioral Health	50,295
Total Basic County Allocation						<u>231,696</u>
Basic County Allocation	435.576	Wisconsin Department of Health Services	Portage County	Wisconsin	Ascension St. Michaels Hospital/Ministry Behavioral Health	<u>9,384</u>
						<u><u>\$ 358,419</u></u>

See accompanying notes to the schedule of expenditures of federal and state of Wisconsin awards.

## Ascension

### Notes to Schedule of Expenditures of Federal and State of Wisconsin Awards

June 30, 2019

#### 1. Basis of Presentation

The accompanying schedule of expenditures of federal and state of Wisconsin awards (collectively, the Schedule) includes the federal and state grant activity of Ascension Health Alliance d/b/a Ascension (Ascension) and is presented on the accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the *State of Wisconsin Single Audit Guidelines*. Therefore, some amounts presented in the Schedule may differ from amounts presented in or used in the preparation of the financial statements.

#### 2. Indirect Costs

Indirect cost rates for certain Ascension entities are based on applicable U.S. Department of Health and Human Services (HHS) negotiated rates or sponsor-specified rates. For Ascension entities that do not have a negotiated indirect cost rate with HHS or a sponsor-specific rate, the 10% de minimis indirect cost rate allowed by the Uniform Guidance is used, as applicable.

#### 3. Reporting Entity

Ascension's reporting entity is defined in Note 1 to Ascension's consolidated financial statements. For the year ended June 30, 2019, federal and state of Wisconsin expenditures related to the following entities were not included in Ascension's total federal and state of Wisconsin expenditures reported in the Schedule. These entities have a separate financial statement audit, and, as such, their expenditures are subject to the requirements of the Uniform Guidance at that reporting level. Entities not included in the Schedule are as follows:

- St. Vincent's Medical Center (Bridgeport, Connecticut)
- Alexian Brothers Bonaventure House, Inc. (Arlington Heights, Illinois)
- Alexian Brothers Bettendorf Place (Arlington Heights, Illinois)
- Alexian Brothers Housing and Health Alliance (Arlington Heights, Illinois)
- Columbia College of Nursing, Inc. (Milwaukee, Wisconsin)
- La Verna Terrace Housing Corporation (Ascension Senior Living) (Chicago, Illinois)

**Illinois Grant Accountability and Transparency  
Consolidated Year-End Financial Report**

<b>Grantee Name</b>	Ascension Health
<b>ID Numbers</b>	AUDIT:20720    Grantee:692219    DUNS:077126852    FEIN:311662309
<b>Audit Period</b>	7/1/2018 - 6/30/2019
<b>Submitted</b>	03/20/2020; Soniece Curin; Manager, Accounting; soniece.curin@amitahealth.org; 630-914-2648
<b>Accepted</b>	
<b>Program Count</b>	19

<b>All Programs Total</b>				
<b>Category</b>	<b>State</b>	<b>Federal</b>	<b>Other</b>	<b>Total</b>
Personal Services (Salaries and Wages)	1,373,893.00	835,759.00	1,291,361,497.00	1,293,571,149.00
Fringe Benefits	401,955.00	172,022.00	277,626,229.00	278,200,206.00
Travel	0.00	2,902.00	6,874,849.00	6,877,751.00
Equipment	0.00	0.00	6,184,931.00	6,184,931.00
Supplies	209,395.00	75,591.00	480,998,483.00	481,283,469.00
Contractual Services	0.00	60,318.00	395,017,318.00	395,077,636.00
Consultant (Professional Services)	14,684.00	14,213.00	164,380,534.00	164,409,431.00
Construction	0.00	0.00	0.00	0.00
Occupancy - Rent and Utilities	55,404.00	1,625.00	104,781,476.00	104,838,505.00
Research and Development	0.00	0.00	0.00	0.00
Telecommunications	328.00	0.00	6,052,833.00	6,053,161.00
Training and Education	2,004.00	0.00	2,463,564.00	2,465,568.00
Direct Administrative Costs	0.00	0.00	0.00	0.00
Miscellaneous Costs	17,104.00	29,556.00	627,697,812.00	627,744,472.00
All Grant Specific Categories	146,341.00	107,749.20	0.00	254,090.20
<b>TOTAL DIRECT EXPENDITURES</b>	<b>2,221,108.00</b>	<b>1,299,735.20</b>	<b>3,363,439,526.00</b>	<b>3,366,960,369.20</b>
Indirect Costs	0.00	0.00	0.00	0.00
<b>TOTAL EXPENDITURES</b>	<b>2,221,108.00</b>	<b>1,299,735.20</b>	<b>3,363,439,526.00</b>	<b>3,366,960,369.20</b>

**Illinois Grant Accountability and Transparency  
Consolidated Year-End Financial Report**

<b>State Agency</b>	Department On Aging (402)
<b>Program Name</b>	10.555 National School Lunch Program (402-01-0020) <i>This program was added by the grantee</i>
<b>Program Limitations</b>	No
<b>Mandatory Match</b>	No
<b>Indirect Cost Rate</b>	0.00 Base:

<b>Category</b>	<b>State</b>	<b>Federal</b>	<b>Other</b>	<b>Total</b>
Personal Services (Salaries and Wages)	0.00	14,828.00	0.00	14,828.00
Fringe Benefits	0.00	6,439.00	0.00	6,439.00
Supplies	0.00	11,360.00	0.00	11,360.00
<b>TOTAL DIRECT EXPENDITURES</b>	<b>0.00</b>	<b>32,627.00</b>	<b>0.00</b>	<b>32,627.00</b>

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<b>State Agency</b>	Department On Aging (402)
<b>Program Name</b>	Community Care Program (402-00-1452) <i>This program was added by the grantee</i>
<b>Program Limitations</b>	No
<b>Mandatory Match</b>	No
<b>Indirect Cost Rate</b>	0.00    Base:

<b>Category</b>	<b>State</b>	<b>Federal</b>	<b>Other</b>	<b>Total</b>
Personal Services (Salaries and Wages)	225,636.00	0.00	0.00	225,636.00
Fringe Benefits	71,441.00	0.00	0.00	71,441.00
Supplies	44,090.00	0.00	0.00	44,090.00
Consultant (Professional Services)	14,684.00	0.00	0.00	14,684.00
Miscellaneous Costs	13,422.00	0.00	0.00	13,422.00
<b>TOTAL DIRECT EXPENDITURES</b>	<b>369,273.00</b>	<b>0.00</b>	<b>0.00</b>	<b>369,273.00</b>

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<b>State Agency</b>	Department Of Children And Family Services (418)
<b>Program Name</b>	Agency Advocate (418-00-1309) <i>This program was added by the grantee</i>
<b>Program Limitations</b>	No
<b>Mandatory Match</b>	No
<b>Indirect Cost Rate</b>	0.00    Base:

<b>Category</b>	<b>State</b>	<b>Federal</b>	<b>Other</b>	<b>Total</b>
Personal Services (Salaries and Wages)	12,000.00	0.00	0.00	12,000.00
<b>TOTAL DIRECT EXPENDITURES</b>	<b>12,000.00</b>	<b>0.00</b>	<b>0.00</b>	<b>12,000.00</b>

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<b>State Agency</b>	Department Of Children And Family Services (418)
<b>Program Name</b>	Child Advocacy Centers (418-00-1310) <i>This program was added by the grantee</i>
<b>Program Limitations</b>	No
<b>Mandatory Match</b>	No
<b>Indirect Cost Rate</b>	0.00    Base:

<b>Category</b>	<b>State</b>	<b>Federal</b>	<b>Other</b>	<b>Total</b>
Personal Services (Salaries and Wages)	48,022.00	0.00	0.00	48,022.00
Fringe Benefits	11,978.00	0.00	0.00	11,978.00
<b>TOTAL DIRECT EXPENDITURES</b>	<b>60,000.00</b>	<b>0.00</b>	<b>0.00</b>	<b>60,000.00</b>



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<b>State Agency</b>	Department Of Human Services (444)
<b>Program Name</b>	Block Grants for Prevention and Treatment of Substance Abuse - DCFS (444-26-0725) <i>This program was added by the grantee</i>
<b>Program Limitations</b>	No
<b>Mandatory Match</b>	No
<b>Indirect Cost Rate</b>	0.00 Base:

<b>Category</b>	<b>State</b>	<b>Federal</b>	<b>Other</b>	<b>Total</b>
Personal Services (Salaries and Wages)	57,594.00	0.00	0.00	57,594.00
<b>TOTAL DIRECT EXPENDITURES</b>	<b>57,594.00</b>	<b>0.00</b>	<b>0.00</b>	<b>57,594.00</b>

**Illinois Grant Accountability and Transparency  
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<b>State Agency</b>	Department Of Human Services (444)
<b>Program Name</b>	Block Grants for Prevention and Treatment of Substance Abuse- Global (444-26-0724) <i>This program was added by the grantee</i>
<b>Program Limitations</b>	No
<b>Mandatory Match</b>	No
<b>Indirect Cost Rate</b>	0.00 Base:

<b>Category</b>	<b>State</b>	<b>Federal</b>	<b>Other</b>	<b>Total</b>
Personal Services (Salaries and Wages)	0.00	121,426.00	0.00	121,426.00
Fringe Benefits	0.00	4,575.00	0.00	4,575.00
<b>TOTAL DIRECT EXPENDITURES</b>	<b>0.00</b>	<b>126,001.00</b>	<b>0.00</b>	<b>126,001.00</b>

**Illinois Grant Accountability and Transparency  
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<b>State Agency</b>	Department Of Human Services (444)
<b>Program Name</b>	Community Integrated Living Arrangement (620) (444-22-0638) <i>This program was added by the grantee</i>
<b>Program Limitations</b>	No
<b>Mandatory Match</b>	No
<b>Indirect Cost Rate</b>	0.00 Base:

<b>Category</b>	<b>State</b>	<b>Federal</b>	<b>Other</b>	<b>Total</b>
Personal Services (Salaries and Wages)	342,469.00	0.00	0.00	342,469.00
Fringe Benefits	146,968.00	0.00	0.00	146,968.00
<b>TOTAL DIRECT EXPENDITURES</b>	<b>489,437.00</b>	<b>0.00</b>	<b>0.00</b>	<b>489,437.00</b>

**Illinois Grant Accountability and Transparency  
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<b>State Agency</b>	Department Of Human Services (444)
<b>Program Name</b>	Crisis Staffing (580) (444-22-0231) <i>This program was added by the grantee</i>
<b>Program Limitations</b>	No
<b>Mandatory Match</b>	No
<b>Indirect Cost Rate</b>	0.00    Base:

<b>Category</b>	<b>State</b>	<b>Federal</b>	<b>Other</b>	<b>Total</b>
Personal Services (Salaries and Wages)	279,448.00	0.00	0.00	279,448.00
Fringe Benefits	40,035.00	0.00	0.00	40,035.00
<b>TOTAL DIRECT EXPENDITURES</b>	<b>319,483.00</b>	<b>0.00</b>	<b>0.00</b>	<b>319,483.00</b>

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<b>State Agency</b>	Department Of Human Services (444)
<b>Program Name</b>	Drop-In Center (720) (444-22-0639) <i>This program was added by the grantee</i>
<b>Program Limitations</b>	No
<b>Mandatory Match</b>	No
<b>Indirect Cost Rate</b>	0.00 Base:

<b>Category</b>	<b>State</b>	<b>Federal</b>	<b>Other</b>	<b>Total</b>
Personal Services (Salaries and Wages)	162,712.00	0.00	0.00	162,712.00
Fringe Benefits	50,659.00	0.00	0.00	50,659.00
Supplies	9,192.00	0.00	0.00	9,192.00
Occupancy - Rent and Utilities	55,404.00	0.00	0.00	55,404.00
Telecommunications	328.00	0.00	0.00	328.00
Training and Education	2,004.00	0.00	0.00	2,004.00
Miscellaneous Costs	3,682.00	0.00	0.00	3,682.00
<b>TOTAL DIRECT EXPENDITURES</b>	<b>283,981.00</b>	<b>0.00</b>	<b>0.00</b>	<b>283,981.00</b>

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<b>State Agency</b>	Department Of Human Services (444)
<b>Program Name</b>	Psychiatric Medications (574) (444-22-0635) <i>This program was added by the grantee</i>
<b>Program Limitations</b>	No
<b>Mandatory Match</b>	No
<b>Indirect Cost Rate</b>	0.00 Base:

<b>Category</b>	<b>State</b>	<b>Federal</b>	<b>Other</b>	<b>Total</b>
Supplies	136,933.00	0.00	0.00	136,933.00
<b>TOTAL DIRECT EXPENDITURES</b>	<b>136,933.00</b>	<b>0.00</b>	<b>0.00</b>	<b>136,933.00</b>

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<b>State Agency</b>	Department Of Human Services (444)
<b>Program Name</b>	Residential Services (41D, 42D, 65H, 67D, 68D, 73D) - NOT GRANT SERVICES (444-24-0832) <i>This program was added by the grantee</i>
<b>Program Limitations</b>	No
<b>Mandatory Match</b>	No
<b>Indirect Cost Rate</b>	0.00 Base:

<b>Category</b>	<b>State</b>	<b>Federal</b>	<b>Other</b>	<b>Total</b>
Personal Services (Salaries and Wages)	87,566.00	0.00	0.00	87,566.00
Fringe Benefits	45,991.00	0.00	0.00	45,991.00
Supplies	12,565.00	0.00	0.00	12,565.00
<b>TOTAL DIRECT EXPENDITURES</b>	<b>146,122.00</b>	<b>0.00</b>	<b>0.00</b>	<b>146,122.00</b>

**Illinois Grant Accountability and Transparency  
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<b>State Agency</b>	Department Of Human Services (444)
<b>Program Name</b>	SOR Hospital Screening and Warm Handoff (444-26-1747) <i>This program was added by the grantee</i>
<b>Program Limitations</b>	No
<b>Mandatory Match</b>	No
<b>Indirect Cost Rate</b>	0.00    Base:

<b>Category</b>	<b>State</b>	<b>Federal</b>	<b>Other</b>	<b>Total</b>
Personal Services (Salaries and Wages)	0.00	8,458.00	0.00	8,458.00
Fringe Benefits	0.00	647.00	0.00	647.00
Contractual Services	0.00	911.00	0.00	911.00
<b>TOTAL DIRECT EXPENDITURES</b>	<b>0.00</b>	<b>10,016.00</b>	<b>0.00</b>	<b>10,016.00</b>



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<b>State Agency</b>	Department Of Human Services (444)
<b>Program Name</b>	State Targeted Response to the Opioid Crisis Grants (444-26-1537) <i>This program was added by the grantee</i>
<b>Program Limitations</b>	No
<b>Mandatory Match</b>	No
<b>Indirect Cost Rate</b>	0.00 Base:

<b>Category</b>	<b>State</b>	<b>Federal</b>	<b>Other</b>	<b>Total</b>
Personal Services (Salaries and Wages)	0.00	13,483.00	0.00	13,483.00
Fringe Benefits	0.00	3,208.00	0.00	3,208.00
Supplies	0.00	3,600.00	0.00	3,600.00
<b>TOTAL DIRECT EXPENDITURES</b>	<b>0.00</b>	<b>20,291.00</b>	<b>0.00</b>	<b>20,291.00</b>

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<b>State Agency</b>	Department Of Human Services (444)
<b>Program Name</b>	Supported Residential (820) (444-22-1200) <i>This program was added by the grantee</i>
<b>Program Limitations</b>	No
<b>Mandatory Match</b>	No
<b>Indirect Cost Rate</b>	0.00 Base:

<b>Category</b>	<b>State</b>	<b>Federal</b>	<b>Other</b>	<b>Total</b>
Personal Services (Salaries and Wages)	97,240.00	97,240.00	0.00	194,480.00
Fringe Benefits	27,259.00	27,259.00	0.00	54,518.00
<b>TOTAL DIRECT EXPENDITURES</b>	<b>124,499.00</b>	<b>124,499.00</b>	<b>0.00</b>	<b>248,998.00</b>

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<b>State Agency</b>	Department Of Human Services (444)
<b>Program Name</b>	Title XX DFI DevelopmentalDisabilitites/Mental Health (444-80-1217) <i>This program was added by the grantee</i>
<b>Program Limitations</b>	No
<b>Mandatory Match</b>	Yes 25%
<b>Indirect Cost Rate</b>	0.00 Base:

<b>Category</b>	<b>State</b>	<b>Federal</b>	<b>Other</b>	<b>Total</b>
Personal Services (Salaries and Wages)	0.00	46,508.00	15,503.00	62,011.00
Fringe Benefits	0.00	14,856.00	4,952.00	19,808.00
<b>TOTAL DIRECT EXPENDITURES</b>	<b>0.00</b>	<b>61,364.00</b>	<b>20,455.00</b>	<b>81,819.00</b>

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<b>State Agency</b>	Department Of Public Health (482)
<b>Program Name</b>	Genetic Counseling (482-00-0916) <i>This program was added by the grantee</i>
<b>Program Limitations</b>	No
<b>Mandatory Match</b>	No
<b>Indirect Cost Rate</b>	0.00    Base:

<b>Category</b>	<b>State</b>	<b>Federal</b>	<b>Other</b>	<b>Total</b>
Personal Services (Salaries and Wages)	28,062.00	0.00	0.00	28,062.00
<b>TOTAL DIRECT EXPENDITURES</b>	<b>28,062.00</b>	<b>0.00</b>	<b>0.00</b>	<b>28,062.00</b>

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<b>State Agency</b>	Department Of Public Health (482)
<b>Program Name</b>	Hospital Preparedness - Regional Hospital Coordinating Center (482-00-1061) <i>This program was added by the grantee</i>
<b>Program Limitations</b>	No
<b>Mandatory Match</b>	No
<b>Indirect Cost Rate</b>	0.00 Base:

<b>Category</b>	<b>State</b>	<b>Federal</b>	<b>Other</b>	<b>Total</b>
Contractual Services	0.00	17,500.00	0.00	17,500.00
<b>TOTAL DIRECT EXPENDITURES</b>	<b>0.00</b>	<b>17,500.00</b>	<b>0.00</b>	<b>17,500.00</b>

**Illinois Grant Accountability and Transparency  
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<b>State Agency</b>	Department Of Public Health (482)
<b>Program Name</b>	Illinois Breast and Cervical Cancer Program (482-00-0922) <i>This program was added by the grantee</i>
<b>Program Limitations</b>	No
<b>Mandatory Match</b>	No
<b>Indirect Cost Rate</b>	0.00 Base:

<b>Category</b>	<b>State</b>	<b>Federal</b>	<b>Other</b>	<b>Total</b>
Personal Services (Salaries and Wages)	33,144.00	53,235.00	0.00	86,379.00
Fringe Benefits	7,624.00	12,292.00	0.00	19,916.00
Travel	0.00	225.00	0.00	225.00
Supplies	6,615.00	3,095.00	0.00	9,710.00
Contractual Services	0.00	516.00	0.00	516.00
Patient/Client Care	146,341.00	102,663.00	0.00	249,004.00
<b>TOTAL DIRECT EXPENDITURES</b>	<b>193,724.00</b>	<b>172,026.00</b>	<b>0.00</b>	<b>365,750.00</b>

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<b>State Agency</b>	State Board Of Education (586)
<b>Program Name</b>	Child and Adult Care Food Program (586-18-0409) <i>This program was added by the grantee</i>
<b>Program Limitations</b>	No
<b>Mandatory Match</b>	No
<b>Indirect Cost Rate</b>	0.00    Base:

<b>Category</b>	<b>State</b>	<b>Federal</b>	<b>Other</b>	<b>Total</b>
Personal Services (Salaries and Wages)	0.00	18,384.00	0.00	18,384.00
Fringe Benefits	0.00	9,814.00	0.00	9,814.00
Miscellaneous Costs	0.00	24,474.00	0.00	24,474.00
Food costs and supplies	0.00	5,086.20	0.00	5,086.20
<b>TOTAL DIRECT EXPENDITURES</b>	<b>0.00</b>	<b>57,758.20</b>	<b>0.00</b>	<b>57,758.20</b>

**Illinois Grant Accountability and Transparency  
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<b>Program Name</b>	Other grant programs and activities
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<b>Category</b>	<b>State</b>	<b>Federal</b>	<b>Other</b>	<b>Total</b>
Personal Services (Salaries and Wages)	0.00	462,197.00	299,595.00	761,792.00
Fringe Benefits	0.00	92,932.00	81,115.00	174,047.00
Travel	0.00	2,677.00	8,175.00	10,852.00
Supplies	0.00	57,536.00	400.00	57,936.00
Contractual Services	0.00	41,391.00	37,415.00	78,806.00
Consultant (Professional Services)	0.00	14,213.00	0.00	14,213.00
Occupancy - Rent and Utilities	0.00	1,625.00	3,000.00	4,625.00
Miscellaneous Costs	0.00	5,082.00	52,593.00	57,675.00
<b>TOTAL DIRECT EXPENDITURES</b>	<b>0.00</b>	<b>677,653.00</b>	<b>482,293.00</b>	<b>1,159,946.00</b>



**Illinois Grant Accountability and Transparency  
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<b>Program Name</b>	All other costs not allocated
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<b>Category</b>	<b>State</b>	<b>Federal</b>	<b>Other</b>	<b>Total</b>
Personal Services (Salaries and Wages)	0.00	0.00	1,291,046,399.00	1,291,046,399.00
Fringe Benefits	0.00	0.00	277,540,162.00	277,540,162.00
Travel	0.00	0.00	6,866,674.00	6,866,674.00
Equipment	0.00	0.00	6,184,931.00	6,184,931.00
Supplies	0.00	0.00	480,998,083.00	480,998,083.00
Contractual Services	0.00	0.00	394,979,903.00	394,979,903.00
Consultant (Professional Services)	0.00	0.00	164,380,534.00	164,380,534.00
Occupancy - Rent and Utilities	0.00	0.00	104,778,476.00	104,778,476.00
Telecommunications	0.00	0.00	6,052,833.00	6,052,833.00
Training and Education	0.00	0.00	2,463,564.00	2,463,564.00
Miscellaneous Costs	0.00	0.00	627,645,219.00	627,645,219.00
<b>TOTAL DIRECT EXPENDITURES</b>	<b>0.00</b>	<b>0.00</b>	<b>3,362,936,778.00</b>	<b>3,362,936,778.00</b>

# Internal Control and Compliance Reports and Schedule

## Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

The Board of Directors, Chief Executive Officer, and  
Chief Financial Officer  
Ascension Health Alliance d/b/a Ascension

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Ascension Health Alliance d/b/a Ascension (Ascension), which comprise the consolidated balance sheet as of June 30, 2019, and the related consolidated statements of operations and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 11, 2019.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Ascension's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ascension's internal control. Accordingly, we do not express an opinion on the effectiveness of Ascension's internal control.

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

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

## Compliance and Other Matters

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

## Purpose of this Report

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

*Ernst + Young LLP*

September 11, 2019

## Report of Independent Auditors on Compliance for Each Major Federal and State of Wisconsin Program and Report on Internal Control Over Compliance Required by the Uniform Guidance and the *State of Wisconsin Single Audit Guidelines*

The Board of Directors, Chief Executive Officer, and  
Chief Financial Officer  
Ascension Health Alliance d/b/a Ascension

### **Report on Compliance for Each Major Federal and State of Wisconsin Program**

We have audited Ascension Health Alliance d/b/a Ascension's (Ascension) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* and the *State of Wisconsin Single Audit Guidelines* that could have a direct and material effect on each of Ascension's major federal and state of Wisconsin programs for the year ended June 30, 2019. Ascension's major federal and state of Wisconsin programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Ascension's consolidated financial statements include the operations of St. Vincent's Medical Center (Bridgeport, Connecticut); Alexian Brothers Bonaventure House, Inc. (Arlington Heights, Illinois); Alexian Brothers Bettendorf Place (Arlington Heights, Illinois); Alexian Brothers Housing and Health Alliance (Arlington Heights, Illinois); Columbia College of Nursing, Inc. (Milwaukee, Wisconsin); and La Verna Terrace Housing Corporation (Ascension Senior Living) (Chicago, Illinois), which expended federal awards that are not included in Ascension's schedule of expenditures of federal and state of Wisconsin awards during the year ended June 30, 2019. Our audit, described below, did not include the operations of these entities because these entities had separate financial statements, and where applicable, compliance audits performed in accordance with the Uniform Guidance.

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

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

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

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

We believe that our audit provides a reasonable basis for our qualified and unmodified opinions on compliance for major federal and state of Wisconsin programs. However, our audit does not provide a legal determination of Ascension's compliance.

### ***Basis for Qualified Opinion on CFDA No. 84.181***

As described in finding 2019-001 in the accompanying schedule of findings and questioned costs, Ascension did not comply with requirements regarding the following:

<b>Finding No.</b>	<b>CFDA No.</b>	<b>Program Name</b>	<b>Compliance Requirement</b>
2019-001	84.181	Special Education – Grants for Infants and Families	I. Procurement, Suspension and Debarment

Compliance with such requirement is necessary, in our opinion, for Ascension to comply with requirements applicable to that program.

### ***Qualified Opinion on CFDA No. 84.181***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Ascension complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA No. 84.181 for the year ended June 30, 2019.

### ***Unmodified Opinion on Each of the Other Major Federal and State of Wisconsin Programs***

In our opinion, Ascension complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal and state of Wisconsin programs that are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2019.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and the *State of Wisconsin Single Audit Guidelines*, and which are described in the accompanying schedule of findings and questioned costs as follows:

<b>Finding No.</b>	<b>CFDA No. or State of Wisconsin Identification No.</b>	<b>Program or Cluster Name</b>	<b>Compliance Requirement</b>
2019-002	Various	Research and Development Cluster	L. Reporting
2019-002	84.181	Special Education – Grants for Infants and Families	L. Reporting
2019-002	435.561	State of Wisconsin: Basic County Allocation	2.5 Reporting

Our opinion on each major federal and state of Wisconsin program is not modified with respect to these matters.

Ascension's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. Ascension's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

Management of Ascension is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Ascension's internal control over compliance with the requirements that could have a direct and material effect on each major federal or state of Wisconsin program to determine the auditing procedures that are appropriate in the

circumstances for the purpose of expressing an opinion on compliance for each major program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the *State of Wisconsin Single Audit Guidelines*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Ascension's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state of Wisconsin program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state of Wisconsin program will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs to be material weaknesses:

<b>Finding No.</b>	<b>CFDA No. or State of Wisconsin Identification No.</b>	<b>Program or Cluster Name</b>	<b>Compliance Requirement</b>
2019-001	84.181	Special Education – Grants for Infants and Families	I. Procurement, Suspension and Debarment
2019-002	Various	Research and Development Cluster	L. Reporting
2019-002	84.181	Special Education – Grants for Infants and Families	L. Reporting
2019-002	435.561	State of Wisconsin: Basic County Allocation	L. Reporting
2019-003	Various	Research and Development Cluster	I. Procurement, Suspension and Debarment



<b>Finding No.</b>	<b>CFDA No. or State of Wisconsin Identification No.</b>	<b>Program or Cluster Name</b>	<b>Compliance Requirement</b>
2019-003	84.181	Special Education – Grants for Infants and Families	I. Procurement, Suspension and Debarment

Ascension's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. Ascension's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

*Ernst & Young LLP*

April 28, 2020

# Ascension

## Schedule of Findings and Questioned Costs

Year Ended June 30, 2019

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

#### Financial Statements

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

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ Yes   X   No

Significant deficiency(ies) identified?

\_\_\_\_\_ Yes   X   None reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ Yes   X   No

#### Federal and State of Wisconsin Awards

Internal control over major federal and state of Wisconsin programs:

Material weakness(es) identified?

  X   Yes \_\_\_\_\_ No

Significant deficiency(ies) identified?

\_\_\_\_\_ Yes   X   None reported

Type of auditor’s report issued on compliance for major federal programs and state of Wisconsin program:

Unmodified – Research and Development Cluster  
Qualified – CFDA No. 84.181  
Unmodified – CFDA No. 93.917  
Unmodified – State of Wisconsin Identification No. 435.561

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

  X   Yes \_\_\_\_\_ No

Any audit findings disclosed that are required to be reported in accordance with the State of Wisconsin Single Audit Guidelines?

  X   Yes \_\_\_\_\_ No

Ascension

Schedule of Findings and Questioned Costs (continued)

**Section I – Summary of Auditor’s Results (continued)**

**Federal and State of Wisconsin Awards (continued)**

Identification of major federal programs and State of Wisconsin program:

CFDA Numbers	Name of Federal Program or Cluster
Various	Research and Development Cluster
84.181	Special Education – Grants for Infants and Families
93.917	HIV Care Formula Grants

State of Wisconsin Identification Number	Name of State of Wisconsin Program
435.561	Basic County Allocation

Dollar threshold used to distinguish between Type A and Type B federal programs: \$750,000

Dollar threshold used to distinguish between Type A and Type B state of Wisconsin programs: \$250,000

Auditee qualified as low-risk auditee for federal programs?            Yes   X   No

Auditee qualified as low-risk auditee for state of Wisconsin programs?   X   Yes            No

Ascension

Schedule of Findings and Questioned Costs (continued)

**Section II – Financial Statement Findings**

None identified.

## Ascension

### Schedule of Findings and Questioned Costs (continued)

#### Section III – Federal and State of Wisconsin Award Findings and Questioned Costs

##### Finding 2019-001 (Procurement)

*Information on the federal program:*

**Federal Grantor:** United States Department of Education

**Pass-Through Entity:** Florida Department of Health

**CFDA No.:** 84.181, Special Education – Grants for Infants and Families

**Ascension Ministry Market:** Florida

**Pass-Through Award Number:** COQZN

**Pass-Through Award Period:** 7/1/18–6/30/21

*Criteria or specific requirement (including statutory, regulatory or other citation):*

The Uniform Guidance 2 CFR section 200.303 states, “The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).”

The Uniform Guidance 2 CFR section 200.320 states, “(a) Procurement by micro-purchases. Procurement by micro-purchase is the acquisition of supplies or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold (§200.67 Micro-purchase). To the extent practicable, the non-Federal entity must distribute micro-purchases equitably among qualified suppliers. Micro-purchases may be awarded without soliciting competitive quotations if the non-Federal entity considers the price to be reasonable.

Procurement by small purchase procedures. Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources.”

The Uniform Guidance 2 CFR section 200.67 states, “*Micro-purchase* means a purchase of supplies or services using simplified acquisition procedures, the aggregate amount of which does not exceed the micro-purchase threshold. Micro-purchase procedures comprise a subset of a non-Federal entity’s small purchase procedures. The non-Federal entity uses such procedures in order

## Ascension

### Schedule of Findings and Questioned Costs (continued)

#### **Section III – Federal and State of Wisconsin Award Findings and Questioned Costs (continued)**

##### **Finding 2019-001 (Procurement) (continued)**

to expedite the completion of its lowest-dollar small purchase transactions and minimize the associated administrative burden and cost. The micro-purchase threshold is set by the Federal Acquisition Regulation at 48 CFR Subpart 2.1 (Definitions).”

The Uniform Guidance 2 CFR section 200.88 states, “*Simplified acquisition threshold* means the dollar amount below which a non-Federal entity may purchase property or services using small purchase methods. Non-Federal entities adopt small purchase procedures in order to expedite the purchase of items costing less than the simplified acquisition threshold. The simplified acquisition threshold is set by the Federal Acquisition Regulation at 48 CFR Subpart 2.1 (Definitions) and in accordance with 41 U.S.C. 1908. As of the publication of this part, the simplified acquisition threshold is \$150,000, but this threshold is periodically adjusted for inflation.”

##### *Condition:*

Ascension – Florida did not follow its internal control policy of completing a procurement checklist or equivalent alternative documentation for each procurement transaction representing a small purchase (i.e., purchases over the micro-purchases threshold, but below the simplified acquisition threshold). As such, no documentation was completed to evidence compliance with the Uniform Guidance small purchase procedures outlined above.

##### *Cause:*

Though there is a procurement policy in place, oversight in enforcing the policy was inadequate by the program personnel administering the grants.

##### *Questioned costs:*

CFDA No. 84.181 – \$323,463 questioned costs represent total federal procurements during the period from July 1, 2018 through February 27, 2019.

##### *Context:*

Total program expenditures are \$2,171,527, of which \$1,345,553 represents state resources and \$825,974 represents federal expenditures. Our testing of the federal program included total program expenditures.

## Ascension

### Schedule of Findings and Questioned Costs (continued)

#### **Section III – Federal and State of Wisconsin Award Findings and Questioned Costs (continued)**

##### **Finding 2019-001 (Procurement) (continued)**

Ascension – Florida did not complete the required procurement checklists or equivalent alternative documentation per its internal control policy for procurement transactions over the micro-purchases threshold (i.e., small purchase procedures) from July 1, 2018 to February 28, 2019, when the corrective action on the prior year finding was implemented. As such, there was no documentation to evidence compliance with the Uniform Guidance small purchase procedures outlined above for the time period from July 1, 2018 through February 27, 2019. Total procurement transactions from July 1, 2018 through February 27, 2019, were \$850,400, of which the federal portion totaled \$323,463.

For the period February 28, 2019 through June 30, 2019, we selected 40 procurement transactions to test totaling \$27,131 (federal portion totaling \$10,320), noting compliance with Uniform Guidance procurement requirements during this time frame.

##### *Effect or potential effect:*

Ascension's internal controls over procurement were not properly followed for the entire fiscal year. Ascension did not follow the Uniform Guidance requirements related to small purchases prior to February 28, 2019.

##### *Identification as a repeat finding, if applicable:*

This is a repeat finding for the major federal program related to finding 2018-005 from the prior year.

##### *Recommendation:*

Ascension should reinforce the importance of adhering to its procurement policy and provide specific training for all program personnel.

##### *Views of responsible officials:*

Ascension agrees with the comment and has developed a plan to correct the finding.

## Ascension

### Schedule of Findings and Questioned Costs (continued)

#### Section III – Federal and State of Wisconsin Award Findings and Questioned Costs (continued)

##### Finding 2019-002 (Reporting – SEFA Preparation)

*Information on the federal programs:*

**Federal Grantor:** United States Department of Education

**Pass-Through Entity:** Florida Department of Health

**CFDA No.:** 84.181, Special Education – Grants for Infants and Families

**Ascension Ministry Market:** Florida

**Pass-Through Award Number:** COQZN

**Pass-Through Award Period:** 7/1/18–6/30/21

##### Research and Development Cluster

**Federal Grantor:** United States Department of Health and Human Services

**Pass-Through Entity:** Vanderbilt University Medical Center, The General Hospital Corp. d/b/a Massachusetts General Hospital, St. Joseph Mercy Health System, Northwestern University, Duke University, and Johns Hopkins University

**CFDA No.:** 93.083, 93.310, 93.395, 93.837, and 93.838

**Ascension Ministry Market:** Texas, Indiana, Tennessee, and Michigan

**Pass-Through Award Numbers:** Various

**Pass-Through Award Periods:** Various

**State Grantor:** State of Wisconsin

**Pass-Through Entity:** Portage County; Outagamie County; Waupaca County; Winnebago County

**State Identification Number:** 435.561, Basic County Allocation

**Ascension Ministry Market:** Wisconsin

**Pass-Through Contract Numbers:** 2018-723 and 1047 (Portage County); 44-18-227 and 44-19-227 (Outagamie County); 23900 and 2019-43001 (Waupaca County)

**Pass-Through Contract Periods:** 1/1/18–12/31/18 and 1/1/19–12/31/19

*Criteria or specific requirement (including statutory, regulatory or other citation):*

The Uniform Guidance 2 CFR section 200.303 states, “The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be



## Ascension

### Schedule of Findings and Questioned Costs (continued)

#### **Section III – Federal and State of Wisconsin Award Findings and Questioned Costs (continued)**

##### **Finding 2019-002 (Reporting – SEFA Preparation) (continued)**

in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).”

The Uniform Guidance 2 CFR section 200.510 states, “(b) *Schedule of expenditures of Federal awards*. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee’s financial statements which must include the total Federal awards expended as determined in accordance with §200.502 Basis for determining Federal awards expended.”

*Condition:*

Ascension did not provide a complete and accurate listing of all federal awards in the preliminary schedule of expenditures of federal awards (SEFA) provided for planning purposes.

*Cause:*

Ascension’s internal controls in place over the preparation of the SEFA were not sufficient to properly accumulate and accurately report all expenditures of federal awards.

*Questioned costs:*

None.

*Context:*

Expenditures for major federal programs were not reported or adjusted in the SEFA in a timely manner as follows:

1. CFDA No. 84.181 (Pass-Through Entity (PTE): Florida Department of Health) – expenditures were understated by \$190,337, or 30% of the balance originally reported on the SEFA.
2. Research and Development Cluster:
  - CFDA No. 93.083 (PTE: Vanderbilt University Medical Center) – expenditures were overstated by \$37,471, or 45% of the balance originally reported for the federal program on the SEFA.

## Ascension

### Schedule of Findings and Questioned Costs (continued)

#### **Section III – Federal and State of Wisconsin Award Findings and Questioned Costs (continued)**

##### **Finding 2019-002 (Reporting – SEFA Preparation) (continued)**

- CFDA No. 93.395 (PTE: St. Joseph Mercy Health System) – expenditures were overstated by \$21,138, or 14% of the balance originally reported for the federal program on the SEFA.
  - CFDA No. 93.837 (PTE: Northwestern University) – expenditures totaling \$4,359 were improperly included on the original SEFA, representing a change of 100%.
  - CFDA No. 93.837 (PTE: Duke University) – expenditures were understated by \$17,755, or 170% of the balance originally reported for the federal program on the SEFA.
  - CFDA No. 93.838 (PTE: Johns Hopkins University) – expenditures totaling \$9,600 were improperly included on the original SEFA, representing a change of 100%.
  - CFDA No. 93.855 (PTE: The General Hospital Corp. d/b/a Massachusetts General Hospital – PTE Identifying No. 229365) – the grant was incorrectly classified as CFDA No. 93.855 and was therefore revised to CFDA No. 93.310 under the federal program titled “Trans-NIH Research Support” with PTE Identifying No. 233284. No expenditure amount changed.
3. State Identification No. 435.561 (Basic County Allocation) – expenditures were overstated by \$5,660, or 2% of the balance originally reported for the major state of Wisconsin program on the schedule of expenditures of state of Wisconsin awards.

##### *Effect or potential effect:*

The SEFA was misstated and could result in the improper selection of federal award programs being identified as major programs.

##### *Identification as a repeat finding, if applicable:*

This is a repeat finding and is related to finding 2018-001 from the prior year.

Ascension

Schedule of Findings and Questioned Costs (continued)

**Section III – Federal and State of Wisconsin Award Findings and Questioned Costs  
(continued)**

**Finding 2019-002 (Reporting – SEFA Preparation) (continued)**

*Recommendation:*

Ascension should review its internal controls over the process of accumulating and reporting expenditures of federal awards. In addition, Ascension should re-communicate its written policy and procedure on the preparation of the quarterly SEFA template to locations administering the awards, including the importance of timely review and accurate reporting of all federal expenditures.

*Views of responsible officials:*

Ascension agrees with the comment and has developed a plan to correct the finding.

## Ascension

### Schedule of Findings and Questioned Costs (continued)

#### **Section III – Federal and State of Wisconsin Award Findings and Questioned Costs (continued)**

##### **Finding 2019-003 (Suspension and Debarment)**

*Information on the federal programs:*

**Federal Grantor:** United States Department of Education

**Pass-Through Entity:** Florida Department of Health

**CFDA No.:** 84.181, Special Education – Grants for Infants and Families

**Ascension Ministry Market:** Florida

**Pass-Through Award Number:** COQZN

**Pass-Through Award Period:** 7/1/18–6/30/21

##### **Research and Development Cluster**

**Federal Grantor:** United States Department of Health and Human Services

**CFDA No.:** 93.395, Cancer Treatment Research

**Ascension Ministry Market:** Kansas

**Federal Award Number:** 5UG1CA189808-05

**Federal Award Period:** 8/1/18–7/31/19

*Criteria or specific requirement (including statutory, regulatory or other citation):*

The Uniform Guidance 2 CFR section 200.303 states, “The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).”

The Uniform Guidance 2 CFR section 200.213 states, “Non-federal entities are subject to the non-procurement debarment and suspension regulations implementing Executive Orders 12549 and 12689, 2 CFR part 180. These regulations restrict awards, subawards, and contracts with certain parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs or activities.”

## Ascension

### Schedule of Findings and Questioned Costs (continued)

#### **Section III – Federal and State of Wisconsin Award Findings and Questioned Costs (continued)**

##### **Finding 2019-003 (Suspension and Debarment) (continued)**

*Condition:*

Ascension has a monthly process in place to monitor for suspended and debarred vendors. However, Ascension does not have internal controls in place to address the accuracy of the vendor files provided to a third party with which it contracts to perform the suspension and debarment searches on its behalf. In addition, Ascension does not have internal controls over the search results received from the third-party contractor to ensure the results are all properly concluded on and follow-up actions taken as appropriate.

*Cause:*

Ascension uses a third-party contractor that does not have a SOC 1 (System and Organization Controls Report) report that covers the suspension and debarment services provided. Ascension does not have internal controls to ensure the suspension and debarment checks performed by the third-party contractor are accurate. In addition, Ascension does not have internal controls in place to ensure potential matches identified by the third party are resolved.

*Questioned costs:*

None.

*Context:*

For CFDA 84.181, the federal portion of procurement expenditures subject to suspension and debarment review totaled \$453,934, which represents approximately 55% of total federal expenditures of \$825,974 reported in the SEFA for the year ended June 30, 2019.

For the Research and Development Cluster, the federal portion of procurement expenditures subject to suspension and debarment review totaled \$441,371 at Kansas, which represents approximately 16% of total federal expenditures of \$2,784,700 reported in the SEFA for the fiscal year ended June 30, 2019.

*Effect or potential effect:*

Ascension's vendors may not be screened for suspension and debarment and/or suspension and debarment results may not be accurate. Additionally, a vendor identified as potentially suspended or debarred may be identified by the third party and not appropriately researched and resolved by Ascension. As a result, federal funds may be used to pay a vendor that is suspended or debarred.

Ascension

Schedule of Findings and Questioned Costs (continued)

**Section III – Federal and State of Wisconsin Award Findings and Questioned Costs  
(continued)**

**Finding 2019-003 (Suspension and Debarment) (continued)**

*Identification as a repeat finding, if applicable:*

Not applicable as this is not a repeat finding.

*Recommendation:*

Ascension should implement controls to address the accuracy of the suspension and debarment search results performed by the third-party contractor. Ascension should perform independent testing of the internal controls performed by the third-party contractor to ensure they are functioning as designed and that the results provided by the third-party contractor are consistent with Ascension's expectations.

*Views of responsible officials:*

Ascension agrees with the comment and has developed a plan to correct the finding.

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## Summary Schedule of Prior Audit Findings

June 30, 2019

### Financial Statement Findings – For the Years Ended June 30, 2018 and 2017

#### Finding 2017-001

*Summary of finding:*

During the June 30, 2017 consolidated financial statement audit of Ascension, one significant deficiency was noted relating to a single health ministry within Ascension that did not follow Ascension's financial integrity program and internal controls. This health ministry did not receive any Federal grants or awards during the period under audit. At this single location, capitation receivables, and certain other account balances which lacked sufficient supporting documentation to validate an appropriate business purpose, were recorded in error misstating revenue by approximately 0.5%. Management should ensure that accounting entries are appropriately recorded and reviewed in accordance with Ascension's financial integrity program and internal controls and Accounting and Reporting Manual.

*Prior year views of responsible officials and planned corrective actions:*

Ascension continues to centralize the accounting function and completed centralization for the single health ministry noted in Finding 2017-001 during the year ended June 30, 2018. The accounting for the risk-based contracts continues to be done locally under the supervision of the centralized accounting function.

*Current year status:*

Ascension completed centralization of the accounting function during the first quarter of Fiscal 2020, with centralization completed for the single health ministry noted in Finding 2017-001 during the year ended June 30, 2018. The accounting for the risk-based contracts continues to be done locally under the supervision of the centralized accounting function.





## Summary Schedule of Prior Audit Findings (continued)

### Federal Award Findings and Questioned Costs – For the Year Ended June 30, 2018

#### Finding 2018-001 (Reporting – SEFA Preparation)

Information on the federal program:

**Federal Grantor:** United States Department of Transportation

**Pass-Through Grantor:** Texas Department of Transportation

**CFDA No.:** 20.600, State and Community Highway Safety

**Ascension Hospital:** Dell Children's Medical Center – Austin, TX (Austin)

**Pass-Through Award Numbers:** 2017-DCMCCT-G-1YG-0052 (1) and 2018-DCMCCT-G-1YG-0220 (1)

**Pass-Through Award Periods:** 10/7/16–9/30/17 and 10/1/17–9/30/18

**Federal Grantor:** United States Department of Health and Human Services

**CFDA No.:** 93.332, Cooperative Agreement to Support Navigators in Federally-facilitated Exchanges

**Ascension Hospital:** Sacred Heart Health System, Inc. – Pensacola, FL (Gulf Coast)

**Federal Award Numbers:** 5 NAVCA150259-02-00 and 5 NAVCA150259-03-00

**Federal Award Periods:** 9/2/16–9/1/17 and 9/13/17–9/12/18

**Federal Grantor:** United States Department of Homeland Security

**Pass-Through Grantor:** Florida Division of Emergency Management

**CFDA No.:** 97.039, Hazard Mitigation Grant

**Ascension Hospital:** Sacred Heart Health System, Inc. – Pensacola, FL (Gulf Coast)

**Pass-Through Award Number:** 1609-170-R

**Pass-Through Award Period:** 3/16/17–5/25/18

*Summary of finding:*

Ascension did not provide a complete and accurate listing of all federal awards in the schedule of expenditures of federal awards (SEFA) in a timely manner.

*Prior year views of responsible officials and planned corrective actions:*

Internal controls over the preparation of the schedule of expenditures of federal awards (SEFA) will be reviewed to ensure that controls are designed effectively, and that information needed to prepare the SEFA is accurate and complete. All program managers of federal and state awards will be required to review and attest to the accuracy of the completed SEFA, including reconciliation of requests for reimbursement to the SEFA amounts. Quarterly, Ascension Finance will reconcile the SEFA expenditures to the general ledger summary of expenditures charged to departmental income statements. All differences identified in the reconciliation process will be investigated and corrected in a timely manner prior to the completion of the SEFA. In addition, project managers and finance personnel responsible for administering compliance with federal and



## Summary Schedule of Prior Audit Findings (continued)

state awards, including preparation of the SEFA, will be required to attend the March 2019 grant compliance training provided by Ascension Finance.

### *Current year status:*

Finding is a repeat finding for the year ended June 30, 2019. See Finding 2019-002.

### **Finding 2018-002 (Period of Performance)**

#### Information on the federal program:

**Federal Grantor:** United States Department of Health and Human Services

**CFDA No.:** 93.332, Cooperative Agreement to Support Navigators in Federally-facilitated Exchanges

**Ascension Hospital:** Sacred Heart Health System, Inc. – Pensacola, FL (Gulf Coast)

**Federal Award Numbers:** 5 NAVCA150259-02-00 and 5 NAVCA150259-03-00

**Federal Award Periods:** 9/2/16–9/1/17 and 9/13/17–9/12/18

### *Summary of finding:*

Individuals at Gulf Coast incurred direct costs with third-party vendors in August 2017, but an internal invoice was not submitted to the Program Coordinator until September 2017. This resulted in the grant expenditures being recorded in the incorrect budget period.

### *Prior year views of responsible officials and planned corrective actions:*

A Manager independent of the preparation process and knowledgeable of the requirements of the grant will ascertain that costs submitted for reimbursement are appropriately charged to the correct budget period. Quarterly, all operational personnel involved with grants will be required to complete Ascension's internal SEFA preparation checklist attesting to the accuracy of grant reporting.

### *Current year status:*

Corrective action was completed during fiscal year 2019.

### **Finding 2018-003 (Subrecipient Monitoring)**

#### Information on the federal program:

**Federal Grantor:** United States Department of Health and Human Services

**CFDA No.:** 93.332, Cooperative Agreement to Support Navigators in Federally-facilitated Exchanges

**Ascension Hospital:** Sacred Heart Health System, Inc. – Pensacola, FL (Gulf Coast)

**Federal Award Numbers:** 5 NAVCA150259-02-00 and 5 NAVCA150259-03-00

**Federal Award Periods:** 9/2/16–9/1/17 and 9/13/17–9/12/18



## Summary Schedule of Prior Audit Findings (continued)

### *Summary of finding:*

Gulf Coast did not review its subrecipient's most recent Uniform Guidance audit during fiscal year 2018.

### *Prior year views of responsible officials and planned corrective actions:*

Ascension will obtain and review a copy of the subrecipient's annual Uniform Guidance audit report and will follow-up on any findings issued and ascertain corrective action plans have been put in place. Additionally, Ascension's internal annual Subrecipient Risk Assessment Questionnaire will be updated to include the specific question documenting request and receipt of the Uniform Guidance audit report, including actions taken to address any findings and corrective action plan follow up.

### *Current year status:*

Corrective action was completed during fiscal year 2019.

## **Finding 2018-004 (Cash Management)**

### Information on the federal program:

**Federal Grantor:** United States Department of Education

**Pass-Through Grantor:** Florida Department of Health

**CFDA No.:** 84.181, Special Education – Grants for Infants and Families

**Ascension Hospital:** Sacred Heart Health System, Inc. – Pensacola, FL (Gulf Coast)

**Pass-Through Award Number:** COQUC

**Pass-Through Award Periods:** 7/1/17–12/31/17 and 1/1/18–6/30/18

### *Summary of finding:*

The federal pass-through program operates on a reimbursement basis. Documentation was not retained to support the amount of the cash draw. Gulf Coast could not provide adequate support to allow for the testing of the cash management compliance requirement.

### *Prior year views of responsible officials and planned corrective actions:*

Ascension will develop a procedure that requires the grant accountant or coordinator to verify the expense was incurred and paid prior to a reimbursement request being submitted. In addition, the grant accountant or coordinator will obtain proper documentation for the request for reimbursement clearly documenting the date and amount of the request. All documentation will be maintained in the grant file. Quarterly the Grants Manager will be required to attest that all such documentation is on file.

### *Current year status:*

Corrective action was completed during fiscal year 2019.



## Summary Schedule of Prior Audit Findings (continued)

### **Finding 2018-005 (Procurement)**

#### Information on the federal program:

**Federal Grantor:** United States Department of Education

**Pass-Through Grantor:** Florida Department of Health

**CFDA No.:** 84.181, Special Education – Grants for Infants and Families

**Ascension Hospital:** Sacred Heart Health System, Inc. – Pensacola, FL (Gulf Coast)

**Pass-Through Award Number:** COQUC

**Pass-Through Award Periods:** 7/1/17–12/31/17 and 1/1/18–6/30/18

**Federal Grantor:** United States Department of Transportation

**Pass-Through Grantor:** Texas Department of Transportation

**CFDA No.:** 20.600, State and Community Highway Safety (Highway Safety Cluster)

**Ascension Hospital:** Dell Children's Medical Center – Austin, TX (Austin)

**Pass-Through Award Numbers:** 2017-DCMCCT-G-1YG-0052 (1) and 2018-DCMCCT-G-1YG-0220 (1)

**Pass-Through Award Periods:** 10/7/16–9/30/17 and 10/1/17–9/30/18

#### *Summary of finding:*

Gulf Coast – CFDA No. 84.181 – Gulf Coast did not follow its internal control policy of completing a procurement checklist or equivalent alternative documentation for each procurement transaction representing a small purchase (i.e., purchases over the micro-purchases threshold, but below the simplified acquisition threshold). As such, no documentation was completed to evidence compliance with the Uniform Guidance small purchase procedures outlined above.

Austin – CFDA No. 20.600 (Highway Safety Cluster) – Austin did not follow its internal control policy in completing a procurement checklist or equivalent alternative documentation for each procurement transaction representing a small purchase (i.e., purchases over the micro-purchases threshold, but below the simplified acquisition threshold). As such, no documentation was completed to evidence compliance with the Uniform Guidance small purchase procedures outlined above.

#### *Prior year views of responsible officials and planned corrective actions:*

Both Gulf Coast and Austin will use the Ascension “Procurement – Purchasing Goods and Services with Federal Funds Checklist” or similar form for each purchase involving federal funds as a means of documenting the cost or price at the time of purchase. The Grant Manager will complete the form and submit it with supporting documents to the Finance Department. While preparing the quarterly SEFA template, the Finance Department will ensure that all purchases requiring a cost or price analysis are supported by the checklist prior to submitting the SEFA. Quarterly the Grants Managers will be required to attest that all such documentation is on file.



## Summary Schedule of Prior Audit Findings (continued)

In addition, Gulf Coast will document why service providers will not follow this protocol but will instead be evaluated on a performance and quality basis for the type of services they provide.

### *Current year status:*

Corrective action was not completed until February 28, 2019, and therefore, the finding was a repeat finding for the year ended June 30, 2019. See Finding 2019-001.

### **Finding 2018-006 (Reporting)**

#### Information on the federal program:

**Federal Grantor:** United States Department of Education

**Pass-Through Grantor:** Florida Department of Health

**CFDA No.:** 84.181, Special Education – Grants for Infants and Families

**Ascension Hospital:** Sacred Heart Health System, Inc. – Pensacola, FL (Gulf Coast)

**Pass-Through Award Number:** COQUC

**Pass-Through Award Periods:** 7/1/17–12/31/17 and 1/1/18–6/30/18

### *Summary of finding:*

Gulf Coast could not provide evidence of review for reports submitted to the pass-through entity in the fiscal year.

### *Prior year views of responsible officials and planned corrective actions:*

Financial and performance reports will be reviewed by someone other than the preparer and knowledgeable of the program prior to submitting to the funding agency. The reviewer will initial and date the report as proof of review. Ascension has instituted a review checklist for the monthly invoice and related supporting documentation. Ascension will deploy the same process for the performance reporting and the annual Risk Assessment process.

### *Current year status:*

Corrective action was completed during fiscal year 2019.

### **Finding 2018-007 (Cash Management and Reporting)**

#### Information on the federal program:

**Federal Grantor:** United States Department of Transportation

**Pass-Through Grantor:** Texas Department of Transportation

**CFDA No.:** 20.600, State and Community Highway Safety

**Ascension Hospital:** Dell Children's Medical Center – Austin, TX (Austin)

**Pass-Through Award Numbers:** 2017-DCMCCT-G-1YG-0052 (1) and 2018-DCMCCT-G-1YG-0220 (1)

**Pass-Through Award Periods:** 10/7/16–9/30/17 and 10/1/17–9/30/18



## Summary Schedule of Prior Audit Findings (continued)

### *Summary of finding:*

Austin did not follow its required internal control procedure in reviewing requests for reimbursement (RFR) reports and performance reports which are required to meet both cash management and reporting requirements.

### *Prior year views of responsible officials and planned corrective actions:*

Ascension will reinforce existing guidance requiring review of request for reimbursement reports (RFR) reports and performance reports. The reviewer will initial and date the RFR and performance reports as proof of review. Training will be provided to all grant managers on the existing policies and procedures.

### *Current year status:*

Corrective action was completed during fiscal year 2019.

## **Federal Award Findings and Questioned Costs – For the Year Ended June 30, 2017**

### **Finding 2017-002 (Procurement)**

#### *Federal program information:*

Federal Grantor: United States Department of Health and Human Services

Pass-Through Grantor: N/A

CFDA No.: 93.332, Cooperative Agreement to Support Navigators in Federally-facilitated and State Partnership Marketplaces

Ascension Entity: System Office

Award Number: NAVCA150243-01-00 and NAVCA150243-02-00

Award Period: 9/2/15–9/1/16 and 9/2/16–9/1/17

### *Summary of finding:*

System Office– Purchases of goods and services under CFDA No. 93.332 were subject to the procurement process. As such, five procurement transactions were tested totaling \$11,440 in federal expenditures from a population of 26 procurement transactions totaling \$13,735. At the time of purchase for one selection, System Office (Via Christi) did not document a procurement checklist in accordance with its procurement policy. Purchases were supported by vendor invoices.

### *Prior year views of responsible officials and planned corrective actions:*

System Office will use the “Procurement – Purchasing Goods and Services with Federal Funds Checklist” with each purchase involving federal funds as a means of documenting the cost or price at the time of purchase. The Grant Manager will complete the form and submit it with supporting



## Summary Schedule of Prior Audit Findings (continued)

documents to System Office. While preparing the quarterly Schedule of Expenditures of Federal Awards (SEFA) template, System Office will ensure that all purchases that require a cost or price analysis are supported by the checklist prior to submitting the SEFA. Corrective action was completed as of February 28, 2017.

*Current year status:*

Corrective action was completed during fiscal year 2017.

### **Finding 2017-003 (Subrecipient Monitoring)**

*Federal program information:*

Federal Grantor: United States Department of Health and Human Services

Major Program: Research & Development Cluster

CFDA No.: 93.638, ACA-Transforming Clinical Practices Initiative: Practice Transformation Networks (PTNs)

Pass-Through Entity: Vanderbilt University

Ascension Hospital: St. Thomas Health Foundations (Nashville)

Award Number: VUMC 57486

Award Period: 9/29/15–9/28/16

*Summary of finding:*

Nashville did not have a subrecipient contract, did not perform subrecipient risk assessments, and did not perform subrecipient monitoring activities in the year based on the requirements per the Uniform Guidance.

*Prior year views of responsible officials and planned corrective actions:*

Nashville will put in place subaward agreements for all grants passed through to subrecipients. In addition, annual risk assessments will be completed, and monitoring activities will be instituted on all grants passed through to subrecipients. Finding is no longer valid. During the fiscal year ended June 30, 2018, management concluded that the entity originally thought to be a subrecipient was a wholly owned subsidiary of Ascension. Therefore, subrecipient compliance requirements are not applicable.

*Current year status:*

Finding is no longer valid.





## Current Year Audit Findings Corrective Action Plans

June 30, 2019

### Financial Statement Findings – For the Year Ended June 30, 2019

None identified.

### Federal Award Findings and Questioned Costs – For the Year Ended June 30, 2019

#### Finding 2019-001 (Procurement)

*Information on the federal program:*

**Federal Grantor:** United States Department of Education

**Pass-Through Entity:** Florida Department of Health

**CFDA No.:** 84.181, Special Education – Grants for Infants and Families

**Ascension Ministry Market:** Florida

**Pass-Through Award Number:** COQZN

**Pass-Through Award Period:** 7/1/18–6/30/21

*Views of responsible officials and planned corrective actions:*

Florida will use the Ascension “Procurement – Purchasing Goods and Services with Federal Funds Checklist” or similar form for each purchase involving federal funds as a means of documenting Ascension’s compliance with Uniform Guidance procurement requirements. The Grant Manager will complete the form and maintain a copy in the grant file. Quarterly the Grants Managers will be required to attest that all such documentation is on file.

Per Ascension policy, the procurement checklist will be used for service providers contracted with to document in writing the specialized services being acquired, whether or not the provider meets the needs of the service requested, possesses the necessary certifications, and the rate being charged and whether it is in line with the ‘going rate’ in the community. Available community rate information will be included with the documentation and both will be retained with the service provider contract.

*Responsible Official:* Florida Grants Manager (Gloria Lorenzi) and Management of the Ministry (Jeff Hudgens, David Cornwell)

*Anticipated completion date:* Corrective action was completed during fiscal year 2019.





## Current Audit Findings Corrective Action Plans (continued)

### **Finding 2019-002 (Reporting – SEFA Preparation)**

*Information on the federal programs:*

**Federal Grantor:** United States Department of Education

**Pass-Through Entity:** Florida Department of Health

**CFDA No.:** 84.181, Special Education – Grants for Infants and Families

**Ascension Ministry Market:** Florida

**Pass-Through Award Number:** COQZN

**Pass-Through Award Period:** 7/1/18–6/30/21

### **Research and Development Cluster**

**Federal Grantor:** United States Department of Health and Human Services

**Pass-Through Entity:** Vanderbilt University Medical Center, The General Hospital Corp. d/b/a Massachusetts General Hospital, St. Joseph Mercy Health System, Northwestern University, Duke University, and Johns Hopkins University

**CFDA No.:** 93.083, 93.310, 93.395, 93.837, and 93.838

**Ascension Ministry Market:** Texas, Indiana, Tennessee and Michigan

**Pass-Through Award Numbers:** Various

**Pass-Through Award Periods:** Various

**State Grantor:** State of Wisconsin

**Pass-Through Entity:** Portage County; Outagamie County; Waupaca County; Winnebago County

**State Identification Number:** 435.561, Basic County Allocation

**Ascension Ministry Market:** Wisconsin

**Pass-Through Contract Numbers:** 2018-723 and 1047 (Portage County); 44-18-227 and 44-19-227 (Outagamie County); 23900 and 2019-43001 (Waupaca County)

**Pass-Through Contract Periods:** 1/1/18–12/31/18 and 1/1/19–12/31/19

*Views of responsible officials and planned corrective actions:*

Internal controls over the preparation of the schedule of expenditures of federal awards (SEFA) will be reviewed to ensure that controls are designed effectively, and that information needed to prepare the SEFA is accurate and complete. Effective March 2019, all program managers of federal and state awards are required to review and attest to the accuracy of the completed SEFA, including reconciliation of requests for reimbursement to the SEFA amounts. Quarterly, Ascension Finance will also reconcile the SEFA expenditures to the general ledger summary of expenditures charged to departmental income statements. All differences identified in the reconciliation process are required to be investigated and corrected in a timely manner prior to the completion of the SEFA.

Ascension is currently in the process of centralizing the accounting for Federal awards and is exploring options within our enterprise resource planning tool to mitigate SEFA reporting exceptions.



## Current Audit Findings Corrective Action Plans (continued)

*Responsible Official:* Program Managers and Ascension Finance (Florida – Gloria Lorenzi, Jeff Hudgens, David Cornwell; Texas – Ben Long; Indiana – Mike Wessel, Laura Rose; Tennessee – Gary Hern; Michigan – Karen Grunewald, Julie DeConinck; Wisconsin – Tom Ewing; Ascension Corporate – Rob Madsen)

*Anticipated completion date:* April 30, 2020 except for centralization of accounting for Federal awards. Centralization anticipated completion date is June 30, 2021.

### **Finding 2019-003 (Suspension and Debarment)**

*Information on the federal programs:*

**Federal Grantor:** United States Department of Education

**Pass-Through Entity:** Florida Department of Health

**CFDA No.:** 84.181, Special Education – Grants for Infants and Families

**Ascension Ministry Market:** Florida

**Pass-Through Award Number:** COQZN

**Pass-Through Award Period:** 7/1/18–6/30/21

### **Research and Development Cluster**

**Federal Grantor:** United States Department of Health and Human Services

**CFDA No.:** 93.395, Cancer Treatment Research

**Ascension Ministry Market:** Kansas

**Federal Award Number:** 5UG1CA189808-05

**Federal Award Period:** 8/1/18–7/31/19

*Views of responsible officials and planned corrective actions:*

Corporate Compliance will develop a process to validate the completeness and accuracy of the suspension and debarment search results performed by the third-party contractor. A random sample of vendors included in the third-party contractor search will be selected each quarter and the suspension and debarment verification will be reperformed. Results will be compared to the third-party contractor results to verify consistency.

In addition, Corporate Compliance will develop a monitoring report to document how and when all potential matches are resolved. The report will be maintained in the SharePoint/Navex database or other data site as determined. The report will also be shared with the Regional Compliance Officer.

*Responsible Official:* Ascension Corporate Compliance (Angela Fox)

*Anticipated completion date:* April 30, 2020