Trinity Health

Consolidated Financial Statements as of and for the Years Ended June 30, 2019 and 2018, Consolidated Supplemental Schedule of Expenditures of Federal Awards for the Year Ended June 30, 2019, and Independent Auditors’ Reports

TRINITY HEALTH
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Trinity Health Corporation
Livonia, Michigan

We have audited the accompanying consolidated financial statements of Trinity Health Corporation and its subsidiaries (the "Corporation"), 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 Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the consolidated financial statements of Baycare Health System, the Corporation's investment which is accounted for by the use of the equity method. The accompanying consolidated financial statements of the Corporation include its investment in the net assets of Baycare Health System of $3.1 billion and $2.8 billion as of June 30, 2019, and 2018, respectively, and its equity-method income from Baycare Health System of $295.7 million and $296.4 million for the years ended June 30, 2019 and 2018, respectively. The consolidated financial statements of Baycare Health System for the years ended December 31, 2018 and 2017, were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Baycare Health System, is based on the reports of the other auditors and the procedures that we considered necessary in the circumstances with respect to the inclusion of the Corporation's equity investment and equity-method income in the accompanying consolidated financial statements taking into consideration the differences in fiscal years.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. The financial statements of Baycare Health System audited by other auditors were audited in accordance with auditing standards generally accepted in the United States of America.

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

Opinion

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of June 30, 2019 and 2018, and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplemental Schedule

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Consolidated Supplemental Schedule of Expenditures of Federal Awards for the year ended June 30, 2019 as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such supplementary information is the responsibility of the Corporation's management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. This supplementary information has been subjected to the auditing procedures applied in our audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such 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 have also issued our report dated September 18, 2019, on our consideration of the Corporation'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 for the year ended June 30, 2019. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Deloitte & Touche LLP

September 18, 2019, except as it relates to the Consolidated Supplemental Schedule of Expenditures of Federal Awards and related notes, as to which the date is March 23, 2020.

TRINITY HEALTH

CONSOLIDATED BALANCE SHEETS
JUNE 30, 2019 AND 2018
(In thousands)

ASSETS	2019	2018
CURRENT ASSETS:		
Cash and cash equivalents	$ 474,314	$ 971,726
Investments	4,833,039	3,846,190
Security lending collateral	264,435	275,228
Assets limited or restricted as to use - current portion	403,799	352,231
Patient accounts receivable, net of allowance for doubtful accounts of $480.8 million at June 30, 2018	2,012,354	2,070,567
Estimated receivables from third-party payers	267,181	213,563
Other receivables	374,818	360,477
Inventories	297,804	292,945
Assets held for sale	-	67,793
Prepaid expenses and other current assets	179,124	172,819
Total current assets	9,106,868	8,623,539
ASSETS LIMITED OR RESTRICTED AS TO USE - Noncurrent portion:		
Held by trustees under bond indenture agreements	5,828	6,865
Self-insurance, benefit plans and other	867,132	865,949
By Board	3,474,947	3,881,021
By donors	460,836	498,871
Total assets limited or restricted as to use - noncurrent portion	4,808,743	5,252,706
PROPERTY AND EQUIPMENT - Net	8,359,974	8,025,580
INVESTMENTS IN UNCONSOLIDATED AFFILIATES	3,876,028	3,493,495
GOODWILL	437,403	438,460
OTHER ASSETS	383,088	361,920
TOTAL ASSETS	$ 26,972,104	$ 26,195,700

LIABILITIES AND NET ASSETS	2019	2018
CURRENT LIABILITIES:		
Commercial paper	$ 99,493	$ 99,904
Short-term borrowings	686,670	711,020
Current portion of long-term debt	126,727	276,295
Accounts payable and accrued expenses	1,435,939	1,548,741
Salaries, wages and related liabilities	919,055	863,143
Payable under security lending agreements	264,435	275,228
Liabilities held for sale	-	32,440
Estimated payables to third-party payers	375,116	395,970
Current portion of self-insurance reserves	282,364	272,842
Total current liabilities	4,189,799	4,475,583
LONG-TERM DEBT - Net of current portion	6,222,908	5,982,141
SELF-INSURANCE RESERVES - Net of current portion	1,036,697	1,002,274
ACCRUED PENSION AND RETIREE HEALTH COSTS	933,238	688,259
OTHER LONG-TERM LIABILITIES	754,054	703,427
Total liabilities	13,136,696	12,851,684
NET ASSETS:		
Net assets without donor restrictions	13,047,732	12,581,754
Noncontrolling ownership interest in subsidiaries	234,987	176,156
Total net assets without donor restrictions	13,282,719	12,757,910
Net assets with donor restrictions	552,689	586,106
Total net assets	13,835,408	13,344,016
TOTAL LIABILITIES AND NET ASSETS	$ 26,972,104	$ 26,195,700

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

TRINITY HEALTH

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2019 AND 2018
(In thousands)

	2019	2018
OPERATING REVENUE:		
Patient service revenue, net of contractual and other allowances		$ 16,406,252
Provision for bad debts		(574,954)
Net patient service revenue	$ 16,601,888	15,831,298
Premium and capitation revenue	1,060,900	1,067,582
Net assets released from restrictions	39,184	50,510
Other revenue	1,591,251	1,396,015
Total operating revenue	19,293,223	18,345,405
EXPENSES:		
Salaries and wages	8,331,228	7,949,446
Employee benefits	1,646,679	1,525,511
Contract labor	315,601	296,611
Total labor expenses	10,293,508	9,771,568
Supplies	3,228,199	2,983,635
Purchased services and medical claims	2,642,804	2,490,091
Depreciation and amortization	861,009	857,154
Occupancy	780,984	748,346
Interest	238,944	224,882
Other	921,954	868,437
Total expenses	18,967,402	17,944,113
OPERATING INCOME BEFORE OTHER ITEMS	325,821	401,292
Restructuring costs	(82,384)	-
Loss on transfer of Lourdes Health System	(57,405)	-
Asset impairment charges	(25,192)	(264,366)
OPERATING INCOME	160,840	136,926
NONOPERATING ITEMS:		
Investment earnings	421,163	488,715
Equity in earnings of unconsolidated affiliates	318,510	328,353
Change in market value and cash payments of interest rate swaps	(54,215)	25,671
Loss from early extinguishment of debt	(7,067)	(39,857)
Other, including income taxes	(4,926)	9,322
Total nonoperating items	673,465	812,204
EXCESS OF REVENUE OVER EXPENSES	834,305	949,130
EXCESS OF REVENUE OVER EXPENSES ATTRIBUTABLE TO NONCONTROLLING INTEREST	(48,334)	(47,619)
EXCESS OF REVENUE OVER EXPENSES, net of noncontrolling interest	$ 785,971	$ 901,511

	2019	2018
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Net assets without donor restrictions attributable to Trinity Health:		
Excess of revenue over expenses	$ 785,971	$ 901,511
Net assets released from restrictions for capital acquisitions	57,306	31,900
Net change in retirement plan related items - consolidated organizations	(418,622)	394,751
Net change in retirement plan related items - unconsolidated organizations	7,762	(14,501)
Other	33,561	(14,340)
Increase in net assets without donor restrictions attributable to Trinity Health	465,978	1,299,321
Net assets without donor restrictions attributable to noncontrolling interests:		
Excess of revenue over expenses attributable to noncontrolling interests	48,334	47,619
Sale of noncontrolling interest in subsidiaries	56,715	-
Noncontrolling interests related to acquisitions	-	9,454
Dividends	(46,218)	(44,142)
Other	-	(10,478)
Increase in net assets without donor restrictions attributable to noncontrolling interests	58,831	2,453
NET ASSETS WITH DONOR RESTRICTIONS:		
Contributions:		
Program and time restrictions	95,686	112,140
Endowment funds	3,877	7,350
Net investment gains:		
Program and time restrictions	3,667	12,367
Endowment funds	1,547	7,266
Net assets released from restrictions	(96,490)	(82,410)
Other	(41,704)	102
(Decrease) increase in net assets with donor restrictions	(33,417)	56,815
INCREASE IN NET ASSETS	491,392	1,358,589
NET ASSETS - BEGINNING OF YEAR	13,344,016	11,985,427
NET ASSETS - END OF YEAR	$ 13,835,408	$ 13,344,016

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

TRINITY HEALTH

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018
(In thousands)

	2019	2018
OPERATING ACTIVITIES:		
Increase in net assets	$ 491,392	$ 1,358,589
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	861,009	857,154
Provision for bad debts	-	574,954
Asset impairment charges	25,192	264,366
Loss on transfer of Lourdes Health System	57,405	-
Gain on sale of subsidiaries	(16,018)	-
Sale of noncontrolling interest in subsidiaries	(56,715)	-
Inherent contributions related to acquisitions	-	(1,903)
Loss on extinguishment of debt	7,067	39,857
Change in net unrealized and realized gains on investments	(330,221)	(412,822)
Change in market values of interest rate swaps	40,729	(42,682)
Undistributed equity in earnings of unconsolidated affiliates	(343,290)	(384,534)
Deferred retirement items - consolidated organizations	418,622	(394,751)
Deferred retirement items - unconsolidated organizations	(7,762)	14,501
Increase in noncontrolling interests related to acquisitions	-	(9,454)
Restricted contributions and investment income received	(80,001)	(57,852)
Other adjustments	34,696	43,934
Changes in:		
Patient accounts receivable	(830)	(711,324)
Other assets	(42,015)	(65,283)
Accounts payable and accrued expenses	89,074	137,817
Estimated receivables from third-party payers	(34,418)	47,294
Estimated payables to third-party payers	(20,854)	26,181
Self-insurance reserves and other liabilities	9,699	5,095
Accrued pension and retiree health costs	(183,197)	(261,678)
Total adjustments	428,172	(331,130)
Net cash provided by operating activities	$ 919,564	$ 1,027,459

	2019	2018
INVESTING ACTIVITIES:		
Proceeds from sales of investments	$ 4,130,923	$ 3,877,168
Purchases of investments	(4,347,213)	(4,029,440)
Purchases of property and equipment	(1,276,346)	(1,124,533)
Proceeds from disposal of property and equipment	7,065	7,431
Net cash used for acquisitions	(188)	(261,023)
Proceeds from the sales of divestitures	21,944	5,009
Change in investments in unconsolidated affiliates	(45,276)	(10,460)
Net repayments from affiliates	6,665	6,665
(Increase) decrease in assets limited as to use and other	(16,941)	7,237
Net cash used in investing activities	(1,519,367)	(1,521,946)
FINANCING ACTIVITIES:		
Proceeds from issuance of debt	434,534	1,331,051
Repayments of debt	(339,604)	(865,374)
Net change in commercial paper	(411)	(1,769)
Dividends paid to noncontrolling interests	(46,218)	(44,142)
Proceeds from restricted contributions and restricted investment income	58,194	47,670
Increase in financing costs and other	(4,104)	(9,420)
Net cash provided by financing activities	102,391	458,016
NET DECREASE IN CASH AND CASH EQUIVALENTS	(497,412)	(36,471)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	971,726	1,008,197
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 474,314	$ 971,726
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for interest (net of amounts capitalized)	$ 251,755	$ 230,784
New capital lease obligations for buildings and equipment	-	2,452
Accruals for purchases of property and equipment and other long-term assets	144,696	184,024
Unsettled investment trades and purchases	22,253	75,394
Unsettled investment trades and sales	10,316	22,220
Decrease in security lending collateral	(10,793)	(57,744)
Decrease in payable under security lending agreements	10,793	57,744

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

1. ORGANIZATION AND MISSION

Trinity Health Corporation, an Indiana nonprofit corporation headquartered in Livonia, Michigan, and its subsidiaries ("Trinity Health" or the "Corporation"), controls one of the largest health care systems in the United States. The Corporation is sponsored by Catholic Health Ministries, a Public Juridic Person of the Holy Roman Catholic Church. The Corporation operates a comprehensive integrated network of health services, including inpatient and outpatient services, physician services, managed care coverage, home health care, long-term care, assisted living care and rehabilitation services located in 22 states. The operations are organized into Regional Health Ministries, National Health Ministries and Mission Health Ministries ("Health Ministries"). The mission statement for the Corporation is as follows:

We, Trinity Health, serve together in the spirit of the Gospel as a compassionate and transforming healing presence within our communities.

Community Benefit Ministry – Consistent with our mission, Trinity Health provides medical care to all patients regardless of their ability to pay. In addition, Trinity Health provides services intended to benefit those who are poor and vulnerable, including those persons who cannot afford health insurance or other payments, such as co-pays and deductibles because of inadequate resources and/or are uninsured or underinsured; and works to improve the health status of the communities in which it operates. In addition to the 6 million people Trinity Health touches directly with clinical care, our mission extends to reach another 30 million people who live in our communities. Much of our mission is carried out through clinical services serving those who are poor and vulnerable, such as our street outreach programs to meet the needs of our homeless populations. Trinity Health is building on the legacy of our founders by making a transformational shift from being primarily focused on traditional episodic care to emphasizing total population health, which includes contributing to the overall health and well-being of our communities by assessing and addressing needs, inclusive of the physical, mental and social influencers of health.

The following summary has been prepared in accordance with the Catholic Health Association of the United States' ("CHA"), *A Guide for Planning and Reporting Community Benefit*, *2015 Edition*.

The quantifiable costs of the Corporation's community benefit ministry for the years ended June 30 are as follows (in thousands):

	2019	2018
Ministry for those who are poor and underserved:		
Financial assistance	$ 203,581	$ 189,662
Unpaid cost of Medicaid and other public programs	586,161	594,136
Programs for those who are poor and the underserved:		
Community health improvement services	29,073	28,951
Subsidized health services	49,287	54,484
Financial contributions	19,675	19,751
Community building activities	2,130	2,693
Community benefit operations	5,976	6,103
Total programs for those who are poor and underserved	106,141	111,982
Ministry for those who are poor and underserved	895,883	895,780
Ministry for the broader community:		
Community health improvement services	13,223	15,297
Health professions education	168,132	148,241
Subsidized health services	45,039	46,381
Research	4,531	3,702
Financial contributions	28,321	28,462
Community building activities	1,639	1,846
Community benefit operations	3,889	2,964
Ministry for the broader community	264,774	246,893
Community benefit ministry	$ 1,160,657	$ 1,142,673

Ministry for those who are poor and underserved represents the financial commitment to seek out and serve those who need help the most, especially those who are poor, the uninsured and the indigent. This is done with the conviction that health care is a basic human right.

Ministry for the broader community represents the cost of services provided for the general benefit of the communities in which the Corporation operates. Many programs are targeted toward populations that may be poor, but also include those areas that may need special health services and support. These programs are not intended to be financially self-supporting.

Financial assistance represents the cost of services provided to patients who cannot afford health care services due to inadequate resources and/or are uninsured or underinsured. A patient is classified as a financial assistance patient in accordance with the Corporation's established policies as further described in Note 2. The cost of financial assistance is calculated using a cost-to-charge ratio methodology.

Unpaid cost of Medicaid and other public programs represent the cost (determined using a cost-to-charge ratio) of providing services to beneficiaries of public programs, including state Medicaid and indigent care programs, in excess of governmental and managed care contract payments.

Community health improvement services are activities and services carried out to improve community health and well-being, for which no patient bill exists. These services are not expected to be financially self-supporting, although some may be supported by outside grants or funding. Some examples include social and environmental improvement activities that address the social influencers of health, community health education, free immunization services, free or low-cost prescription medications and rural and urban outreach programs. The Corporation actively collaborates with community groups and agencies to assist those in need in providing such services.

Health professions education includes the unreimbursed cost of training health professionals, such as medical residents, nursing students, technicians and students in allied health professions.

Subsidized health services are net costs for billed services that are subsidized by the Corporation. These include services offered despite a financial loss because they are needed in the community and either other providers are unwilling to provide the services or the services would otherwise not be available in sufficient amount. Examples of services include free-standing community clinics, hospice care, mobile units and behavioral health services.

Research includes unreimbursed clinical and community health research and studies on health care delivery, which is generalizable and shared with the public.

Financial contributions are made by the Corporation on behalf of the poor and underserved to community agencies and restricted to support community benefit activities. These amounts include special system-wide funds used to improve community health and well-being as well as resources contributed directly to programs, organizations and foundations for efforts on behalf of the poor and underserved. Amounts included here also represent certain in-kind donations.

Community building activities include programs that address the root causes of health problems and focus on policy, systems and environmental changes. Examples include the costs of programs that improve the physical environment, promote economic development, enhance other community support systems, advocacy for community health improvement, develop leadership skills training and build community coalitions.

Community benefit operations include costs associated with dedicated staff, community health needs and/or asset assessments and other costs associated with community benefit strategy and operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation – The consolidated financial statements include the accounts of the Corporation, and all wholly-owned, majority-owned and controlled organizations. Investments where the Corporation holds less than 20% of the ownership interest are accounted for using the cost method. All other investments that are not controlled by the Corporation are accounted for using the equity method of accounting. The equity share of income or losses from investments in unconsolidated affiliates is recorded in other revenue if the unconsolidated affiliate is operational and projected to make routine and regular cash distributions; otherwise, the equity share of income or losses from investments in unconsolidated affiliates is recorded in nonoperating items in the consolidated statements of operations and changes in net assets. All material intercompany transactions and account balances have been eliminated in consolidation.

Use of Estimates – The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management of the Corporation to make assumptions, estimates and judgments that affect the amounts reported in the consolidated financial statements, including the notes thereto, and related disclosures of commitments and contingencies, if any.

The Corporation considers critical accounting policies to be those that require more significant judgments and estimates in the preparation of its consolidated financial statements, including the following: recognition of net patient service revenue, which includes explicit and implicit price concessions; financial assistance; premium revenue; recorded values of investments, derivatives and goodwill; evaluation of long-lived assets for impairment; reserves for losses and expenses related to health care professional and general liabilities; and risks and assumptions for measurement of pension and retiree health liabilities. Management relies on historical experience and other assumptions believed to be reasonable in making its judgments and estimates. Actual results could differ materially from those estimates.

Cash and Cash Equivalents – For purposes of the consolidated statements of cash flows, cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less.

Investments – Investments, inclusive of assets limited or restricted as to use, include marketable debt and equity securities. Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value and are classified as trading securities. Investments also include investments in commingled funds, hedge funds and other investments structured as limited liability corporations or partnerships. Commingled funds and hedge funds that hold securities directly are stated at the fair value of the underlying securities, as determined by the administrator, based on readily determinable market values or based on net asset value, which is calculated using the most recent fund financial statements. Limited liability corporations and partnerships are accounted for under the equity method.

Investment Earnings – Investment earnings include interest, dividends, realized gains and losses and unrealized gains and losses. Also included are equity earnings from investment funds accounted for using the equity method. Investment earnings on assets held by trustees under bond indenture agreements, assets designated by the Corporation’s board of directors (“Board”) for debt redemption, assets held for borrowings under the intercompany loan program, assets held by grant-making foundations, assets deposited in trust funds by a captive insurance company for self-insurance purposes and interest and dividends earned on life plan communities advance entrance fees, in accordance with industry practices, are included in other revenue in the consolidated statements of operations and changes in net assets. Investment earnings from all other investments and Board-designated funds are included in nonoperating investment income unless the income or loss is restricted by donor or law.

Derivative Financial Instruments – The Corporation periodically utilizes various financial instruments (e.g., options and swaps) to hedge interest rates, equity downside risk and other exposures. The Corporation’s policies prohibit trading in derivative financial instruments on a speculative basis. The Corporation recognizes all derivative instruments in the consolidated balance sheets at fair value.

Securities Lending – The Corporation participates in securities lending transactions whereby a portion of its investments are loaned, through its agent, to various parties in return for cash and securities from the parties as collateral for the securities loaned. Each business day, the Corporation, through its agent, and the borrower determine the market value of the collateral and the borrowed securities. If on any business day the market value of the collateral is less than the required value, additional collateral is obtained as appropriate. The amount of cash collateral received under securities lending is reported as an asset and a corresponding payable in the consolidated balance sheets and is up to 105% of the market value of securities loaned. As of June 30, 2019 and 2018, the Corporation had securities loaned of $514.5 million and $486.3 million, respectively, and received collateral (cash and noncash) totaling $529.5 million and $472.0 million, respectively, relating to the securities loaned. The fees received for these transactions are recorded in nonoperating investment income in the consolidated statements of operations and changes in net assets. In addition, certain pension plans participate in securities lending programs with the Northern Trust Company, the plans’ agent.

Assets Limited as to Use – Assets set aside by the Board for quasi-endowments, future capital improvements, future funding of retirement programs and insurance claims, retirement of debt, held for borrowings under the intercompany loan program, and other purposes over which the Board retains control and may at its discretion subsequently use for other purposes, assets held by trustees under bond indenture and certain other agreements, and self-insurance trust and benefit plan arrangements are included in assets limited as to use.

Donor-Restricted Gifts – Unconditional promises to give cash and other assets to the Corporation are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or program restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as contributions without donor restrictions in the consolidated statements of operations and changes in net assets.

Inventories – Inventories are stated at the lower of cost or market. The cost of inventories is determined principally by the weighted-average cost method.

Assets and Liabilities Held for Sale – The Corporation has classified certain assets as assets held for sale in the consolidated balance sheets when the assets have met applicable criteria for this classification. The Corporation has also classified as held for sale those liabilities related to assets held for sale.

Property and Equipment – Property and equipment, including internal-use software, are recorded at cost, if purchased, or at fair value at the date of donation, if donated. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using either the straight-line or an accelerated method and includes capital lease and internal-use software amortization. The useful lives of these assets range from 2 to 50 years. Interest costs incurred during the period of construction of capital assets are capitalized as a component of the cost of acquiring those assets.

Gifts of long-lived assets such as land, buildings, or equipment are reported as support without donor restrictions and are excluded from the excess of revenue over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions.

Goodwill – Goodwill represents the future economic benefits arising from assets acquired in a business combination that are not individually identified and separately recognized.

Asset Impairments –

Property and Equipment – The Corporation evaluates long-lived assets for possible impairment whenever events or changes in circumstances indicate that the carrying amount of the asset, or related group of assets, may not be recoverable from estimated future undiscounted cash flows. If the estimated future undiscounted cash flows are less than the carrying value of the assets, the impairment recognized is calculated as the carrying value of the long-lived assets in excess of the fair value of the assets. The fair value of the assets is estimated based on appraisals, established market values of comparable assets or internal estimates of future net cash flows expected to result from the use and ultimate disposition of the assets.

Goodwill – Goodwill is tested for impairment on an annual basis or when an event or change in circumstance indicates the value of a reporting unit may have changed. Testing is conducted at the reporting unit level. If the carrying amount of the reporting unit goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. Estimates of fair value are based on appraisals, established market prices for comparable assets or internal estimates of future net cash flows.

Other Assets **–** Other assets include long-term notes receivable, reinsurance recovery receivables, definite- and indefinite-lived intangible assets other than goodwill and prepaid retiree health costs. The net balances of definite-lived intangible assets include noncompete agreements, physician guarantees and other definite-lived intangible assets with finite lives amortized using the straight-line method over their estimated useful lives, which generally range from 2 to 10 years. Indefinite-lived intangible assets primarily include trade names, which are tested annually for impairment.

Short-Term Borrowings – Short-term borrowings include puttable variable-rate demand bonds supported by self-liquidity or liquidity facilities considered short-term in nature.

Other Long-Term Liabilities – Other long-term liabilities include deferred compensation, asset retirement obligations, interest rate swaps and deferred revenue from entrance fees. Deferred revenue from entrance fees are fees paid by residents of facilities for the elderly upon entering into continuing care contracts, which are amortized to income using the straight-line method over the estimated remaining life expectancy of the resident, net of the portion that is refundable to the resident.

Net Assets with Donor Restrictions – Net assets with donor restrictions are those whose use by the Corporation has been limited by donors to a specific time period or program. In addition, certain net assets have been restricted by donors to be maintained by the Corporation in perpetuity.

Patient Accounts Receivable, Estimated Receivables from and Payables to Third-Party Payers – The Corporation has agreements with third-party payers that provide for payments to the Corporation's Health Ministries at amounts different from established rates. Estimated retroactive adjustments under reimbursement agreements with third-party payers and other changes in estimates are included in net patient service revenue and estimated receivables from and payables to third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

For patient accounts receivable resulting from revenue recognized prior to July 1, 2018, patient accounts receivable were reported at estimated net realizable amounts from patients, third-party payers, and others for services rendered. Prior to this date, an allowance for doubtful accounts was established to reduce the carrying value of such receivables to their estimated net realizable value. Generally, this allowance was estimated based on the aging of accounts receivable and the historical collection experience by the Health Ministries for each type of payer. Under the provisions of Accounting Standards Update ("ASU") No. 2014-09 "*Revenue from Contracts with Customers (Topic 606),* " which was adopted effective July 1, 2018, an unconditional right to payment, subject only to the passage of time is treated as a receivable. Patient accounts receivable, including billed accounts and unbilled accounts for which there is an unconditional right to payment, and estimated amounts due from third-party payers for retroactive adjustments, are receivables if the right to consideration is unconditional and only the passage of time is required before payment of that consideration is due. For patient accounts receivable subsequent to the adoption of ASU No. 2014-09 on July 1, 2018, the estimated uncollectable amounts are generally considered implicit price concessions that are a direct reduction to patient service revenue and accounts receivable.

Net Patient Service Revenue – Upon the adoption of ASU No. 2014-09, the Corporation reports patient service revenue at the amount that reflects the consideration it is expected to be entitled to in exchange for providing patient care. These amounts are due from patients, third-party payers (including commercial payers and government programs) and others, and include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Corporation bills patients and third-party payers several days after the services are performed or the patient is discharged from a facility.

The Corporation determines performance obligations based on the nature of the services provided. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected charges. The Corporation believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients in hospitals receiving inpatient acute care services, or receiving services in outpatient centers, or in their homes (home care). The Corporation measures performance obligations from admission to the hospital, or the commencement of an outpatient service, to the point when it is no longer required to provide services to the patient, which is generally at the time of discharge or the completion of the outpatient services. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to our patients and customers in a retail setting (for example, pharmaceuticals and medical equipment) and the Corporation does not believe that it is required to provide additional goods and services related to that sale.

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

The Corporation has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from patients and third-party payers for the effects of a significant financing component due to the Corporation's expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payer pays for that service will be one year or less. However, the Corporation does, in certain instances, enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

The Corporation determines the transaction price based on standard charges for services provided, reduced by contractual adjustments provided to third-party payers, discounts provided to uninsured and underinsured patients in accordance with the Corporation's policy, and implicit price concessions provided to uninsured and underinsured patients. The Corporation determines its estimates of contractual adjustments and discounts based on contractual agreements, discount policies and historical experience. The estimate of implicit price concessions is based on historical collection experience with the various classes of patients using a portfolio approach as a practical expedient to account for patient contracts with similar characteristics, as collective groups rather than individually. The financial statement effect of using this practical expedient is not materially different from an individual contract approach.

Generally, patients who are covered by third-party payers are responsible for related deductibles and coinsurance, which vary in amount. The Corporation also provides services to uninsured and underinsured patients, and offers those uninsured and underinsured patients a discount, either by policy or law, from standard charges. The Corporation estimates the transaction price for patients with deductibles and coinsurance and for those who are uninsured and underinsured based on historical experience and current market conditions, using the portfolio approach. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense in other expenses in the statement of operations and changes in net assets.

Agreements with third-party payers typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payers is as follows:

Medicare – Acute inpatient and outpatient services rendered to Medicare program beneficiaries are paid primarily at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Certain items are reimbursed at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediaries.

Medicaid – Reimbursement for services rendered to Medicaid program beneficiaries includes prospectively determined rates per discharge, per diem payments, discounts from established charges, fee schedules and cost reimbursement methodologies with certain limitations. Cost reimbursable items are reimbursed at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicaid fiscal intermediaries.

Other – Reimbursement for services to certain patients is received from commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for reimbursement includes prospectively determined rates per discharge, per diem payments and discounts from established charges.

Cost report settlements under these programs are subject to audit by Medicare and Medicaid auditors and administrative and judicial review, and it can take several years until final settlement of such matters is determined and completely resolved. Because the laws, regulations, instructions and rule interpretations governing Medicare and Medicaid reimbursement are complex and change frequently, the estimates that have been recorded could change by material amounts.

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. These settlements are estimated based on the terms of the payment agreement with the payer, correspondence from the payer and 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 (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews and investigations.

Financial Assistance – The Corporation provides services to all patients regardless of ability to pay. In accordance with the Corporation's policy, a patient is classified as a financial assistance patient based on specific criteria, including income eligibility as established by the *Federal Poverty Guidelines,* as well as other financial resources and obligations.

Charges for services to patients who meet the Corporation's guidelines for financial assistance are not reported as net patient service revenue in the accompanying consolidated financial statements. Therefore, the Corporation has determined it has provided implicit price concessions to uninsured and underinsured patients and patients with other uninsured balances (for example, copays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the Corporation expects to collect based on its collection history with those patients.

Self-Insured Employee Health Benefits – The Corporation administers self-insured employee health benefit plans for employees. The majority of the Corporation's employees participate in the programs. The provisions of the plans permit employees and their dependents to elect to receive medical care at either the Corporation's Health Ministries or other health care providers. Patient service revenue has been reduced by an allowance for self-insured employee health benefits, which represents revenue attributable to medical services provided by the Corporation to its employees and dependents in such years.

Premium and Capitation Revenue – The Corporation has certain Health Ministries that arrange for the delivery of health care services to enrollees through various contracts with providers and common provider entities. Enrollee contracts are negotiated on a yearly basis. Premiums are due monthly and are recognized as revenue during the period in which the Corporation is obligated to provide services to enrollees. Premiums received prior to the period of coverage are recorded as deferred revenue and included in accrued expenses in the consolidated balance sheets.

Certain of the Corporation's Health Ministries have entered into capitation arrangements whereby they accept the risk for the provision of certain health care services to health plan members. Under these agreements, the Corporation's Health Ministries are financially responsible for services provided to the health plan members by other institutional health care providers. Capitation revenue is recognized during the period for which the Health Ministry is obligated to provide services to health plan enrollees under capitation contracts. Capitation receivables are included in other receivables in the consolidated balance sheets.

Reserves for incurred but not reported claims have been established to cover the unpaid costs of health care services covered under the premium and capitation arrangements. The premium and capitation arrangement reserves are classified with accrued expenses in the consolidated balance sheets. The liability is estimated based on actuarial studies, historical reporting and payment trends. Subsequent actual claim experience will differ from the estimated liability due to variances in estimated and actual utilization of health care services, the amount of charges and other factors. As settlements are made and estimates are revised, the differences are reflected in current operations.

Income Taxes – The Corporation and substantially all of its subsidiaries have been recognized as tax-exempt pursuant to Section 501(a) of the Internal Revenue Code. The Corporation also has taxable subsidiaries, which are included in the consolidated financial statements. The Corporation includes penalties and interest, if any, with its provision for income taxes in other nonoperating items in the consolidated statements of operations and changes in net assets.

Excess of Revenue Over Expenses – The consolidated statements of operations and changes in net assets include excess of revenue over expenses. Changes in net assets without donor restrictions, which are excluded from excess of revenue over expenses, consistent with industry practice, include the effective portion of the change in market value of derivatives that meet hedge accounting requirements, permanent transfers of assets to and from affiliates for other than goods and services, contributions of long-lived assets received or gifted (including assets acquired using contributions, which by donor restriction were to be used for the purposes of acquiring such assets), net change in retirement plan related items, discontinued operations and cumulative effects of changes in accounting principles.

Adopted Accounting Pronouncements –

Effective July 1, 2018, the Corporation adopted the ASU No. 2014-09, *"Revenue from Contracts with Customers (Topic 606)"* using a modified retrospective method of application to all contracts existing on July 1, 2018. The core principle of the guidance in ASU No. 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. For the Corporation's health care operations, the adoption of ASU No. 2014-09 resulted in changes to the presentation for and disclosure of revenue related to uninsured and underinsured patients. Under ASU No. 2014-09, the estimated uncollectible amounts due from these patients are generally considered an implicit price concession and are a direct reduction to patient service revenue and, correspondingly result in a material reduction in the amounts presented separately as provision for bad debts. For the year ended June 30, 2019, the Corporation recorded approximately $658.7 million of implicit price concessions as a direct reduction of patient service revenue that would have been recorded as provision for bad debts prior to the adoption of ASU No. 2014-09. At June 30, 2019, the Corporation recorded $492.4 million as a direct reduction of accounts receivable that would have been reflected as allowance for doubtful accounts prior to the adoption of ASU No. 2014-09. Other than these changes in presentation on the consolidated statement of operations and changes in net assets, consolidated balance sheet, and the statement of cash flows, the adoption of ASU No. 2014-09 did not have a material impact on the consolidated results of operations for the year ended June 30, 2019. The adoption of ASU No. 2014-09 also changed the Corporation's operating revenue disclosures.

Effective July 1, 2018, the Corporation adopted the FASB ASU No. 2018-08, *"Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)."* The guidance in ASU No. 2018-08 assists entities in (1) evaluating whether grants and similar transactions should be accounted for as contributions (nonreciprocal) within the scope of Topic 958, or as exchanges (reciprocal) subject to guidance in Topic 606 and (2) determining whether a contribution is conditional. The adoption of the guidance in ASU No. 2018-08 did not have a material impact on the Corporation's consolidated financial statements.

Effective June 30, 2019, the Corporation adopted the FASB ASU No. 2016-14, *"Presentation of Financial Statements of Not-For-Profit Entities."* This guidance simplifies and improves how not-for-profit entities classify net assets as well as the information presented in financial statements and notes about liquidity, financial performance and cash flows. Specifically, this guidance reduced the three classifications of net assets on the balance sheet to two classifications. While the adoption of ASU No. 2016-14 had a material effect on the amounts presented as net assets with donor restrictions in the consolidated balance sheets, statements of operations and changes in net assets and impacted certain disclosures, it did not materially impact the Corporation's financial position, results of operations or cash flows for the year ended June 30, 2019.

In August 2018, the FASB issued ASU No. 2018-13, *"Fair Value Measurement, Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement."* This guidance adds, modifies, and removes certain disclosure requirements on fair value measurements. This guidance is effective for the Corporation beginning July 1, 2020. This guidance allows for early adoption of only the disclosure modifications and disclosure eliminations. The Corporation early adopted those disclosure modifications and eliminations as of June 30, 2019. The adoption of additional disclosures required by ASU No. 2018-13 will have no impact on the consolidated financial statements of the Corporation but will result in changes to footnote disclosures.

In August 2018, the FASB issued ASU No. 2018-14, *"Defined Benefit Plans (Subtopic 715-20) Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans. "* This guidance changes the disclosure requirements of Subtopic 715-20, removing certain disclosure requirements no longer considered cost beneficial and clarifying existing disclosure requirements. This guidance also adds two new disclosure requirements, including disclosure of the weighted average interest crediting rates for cash balance plans, and adding an explanation of the reasons for significant gains and losses related to changes in the benefit obligation for the period. The Corporation early adopted these disclosure changes as of June 30, 2019. The adoption of ASU No. 2018-14 did not have an impact on the consolidated financial statements of the Corporation but resulted in additional footnote disclosures.

In May 2019, the FASB issued ASU No. 2019-06, *"Extending the Private Company Accounting Alternatives on Goodwill and Certain Identifiable Intangible Assets to Not-for-Profit Entities (Topic 350 and Topic 805). "* This amendment extends the accounting alternative for goodwill and certain identifiable intangible assets to not-for-profit entities. The accounting alternative permits not-for-profit entities to amortize goodwill on a straight-line basis over 10 years, or less than 10 years (if a lower useful life is appropriate). Upon adoption of the accounting alternative, the entity must make a policy election to test for impairment of goodwill at either the entity level or the reporting unit level, such testing would only occur if an event occurs or circumstances change indicating the fair value of the entity or reporting unit may be below its carrying amount. The guidance was effective for the Corporation for the year ended June 30, 2019. The Corporation did not elect the alternative to amortize goodwill and continues to test goodwill for impairment.

Forthcoming Accounting Pronouncements –

In February 2016, the FASB issued ASU No. 2016-02, *"Leases. "* This guidance and related amendments introduces a lessee model that brings substantially all leases onto the consolidated balance sheet. The main difference between the guidance in ASU No. 2016-02 and current GAAP is the recognition of right-of-use lease assets and lease liabilities by lessees for those leases classified as operating leases under current GAAP. The Corporation plans to elect the practical expedients upon transition that will retain the lease classification and initial direct costs for any leases that exist prior to adoption of the standard. The Corporation will not reassess whether any contracts entered into prior to adoption are leases. The Corporation has cataloged existing lease contracts and implemented a new system for accounting in accordance with the new guidance. This guidance was effective for the Corporation beginning July 1, 2019. The Corporation is in the process of completing its evaluation of the effect this ASU will have on the consolidated financial statements, but given the material amount of future minimum payments under operating leases at June 30, 2019 discussed in Note 9, the Corporation expects to recognize material right-of-use lease assets and lease liabilities upon adoption of the ASU. The Corporation does not expect a material impact on the consolidated statements of operations and changes in net assets or cash flows.

In March 2017, the FASB issued ASU No. 2017-07, *"Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost,"* which amends the requirements related to the presentation of the components of net periodic benefit cost in the statement of operations and changes in net assets for an entity's sponsored defined benefit pension and other postretirement plans. This guidance was effective for the Corporation beginning July 1, 2019. As a result of adoption, in the upcoming fiscal year 2020, the Corporation will record $79.0 million of pension and retiree medical plan income to nonoperating income in the consolidated statement of operations and changes in net assets.

In November 2016, the FASB issued ASU No. 2016-18 *"Restricted Cash,"* which adds and clarifies guidance in the presentation of changes in restricted cash on the statement of cash flows and requires restricted cash to be included with cash and cash equivalents in the statement of cash flows. This guidance does not provide a definition of restricted cash. This guidance was effective for the Corporation beginning July 1, 2019. The adoption of this guidance will change the amounts presented as cash and cash equivalents in the statement of cash flows but will not have a material effect on them. It will also impact certain disclosures but will not materially impact the Corporation's financial position, results of operation or cash flows.

In August 2016, the FASB issued ASU No. 2016-15, *"Classification of Certain Cash Receipts and Cash Payments."* This guidance adds and clarifies guidance on the classification of certain cash receipts and payments in the consolidated statement of cash flows. This guidance was effective for the Corporation beginning July 1, 2019. The Corporation does not expect this guidance to have a material impact on its consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-15, *"Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract."* This guidance aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. This guidance is effective for the Corporation beginning July 1, 2021. The Corporation does not expect this guidance to have a material impact on its consolidated financial statements.

In November 2018, the FASB issued ASU No. 2018-18, *"Collaborative Arrangements (Topic 808): Clarifying the Interaction between Topic 808 and Topic 606."* This guidance clarifies whether certain transactions between collaborative arrangement participants should be accounted for with revenue under Topic 606. This guidance is effective for the Corporation beginning July 1, 2021. The Corporation is still evaluating the impact this guidance will have on its consolidated financial statements.

3. INVESTMENTS IN UNCONSOLIDATED AFFILIATES, BUSINESS ACQUISITIONS AND DIVESTITURES

Investments in Unconsolidated Affiliates – The Corporation and certain of its Health Ministries have investments in entities that are recorded under the cost and equity methods of accounting. As of June 30, 2019 and 2018, the Corporation maintained investments in unconsolidated affiliates with ownership interests ranging from 1.0% to 50.4%. The Corporation's share of equity earnings from entities accounted for under the equity method was $376.0 million and $410.5 million for the years ended June 30, 2019 and 2018, respectively, of which $57.5 million and $82.1 million, respectively, is included in other revenue and $318.5 million and $328.4 million, respectively, is included in nonoperating items in the consolidated statements of operations and changes in net assets. The most significant of these investments include the following:

BayCare Health System – The Corporation has a 50.4% interest in BayCare Health System Inc. and Affiliates ("BayCare"), a Florida not-for-profit corporation exempt from state and federal income taxes. BayCare was formed in 1997 pursuant to a Joint Operating Agreement ("JOA") among the not-for-profit, tax-exempt members of the Trinity Health BayCare Participants, Morton Plant Mease Health Care, Inc., and South Florida Baptist Hospital, Inc. (collectively, the "Members"). BayCare consists of three community health alliances located in the Tampa Bay area of Florida, including St. Joseph's-Baptist Healthcare Hospital, St. Anthony's Health Care, and Morton Plant Mease Health Care. The Corporation has the right to appoint nine of the 21 voting members of the Board of Directors of BayCare; therefore, the Corporation accounts for BayCare under the equity method of accounting. As of June 30, 2019 and 2018, the Corporation's investment in BayCare totaled $3,058 million and $2,759 million, respectively.

Gateway Health Plan – The Corporation has a 50% interest in Gateway Health Plan, L.P. and subsidiaries ("GHP"), a Pennsylvania limited partnership. GHP has two general partners, Highmark Ventures Inc., formerly known as Alliance Ventures, Inc., and Mercy Health Plan (a wholly owned subsidiary of the Corporation), each owning 1%. In addition to the general partners, there are two limited partners, Highmark Inc. and Mercy Health Plan, each owning 49%. As of June 30, 2019 and 2018, the Corporation's investment in GHP totaled $213.7 million and $207.9 million, respectively.

Catholic Health System, Inc. – The Corporation has a 50% interest in Catholic Health System, Inc. and subsidiaries ("CHS") with the Diocese of Buffalo holding the remaining 50%. CHS, formed in 1998, is a not-for-profit integrated delivery health care system in western New York. CHS operates several organizations, the largest of which are four acute care hospitals located in Buffalo, New York: Mercy Hospital of Buffalo, Kenmore Mercy Hospital, Sisters of Charity Hospital, and St. Joseph Hospital. As of June 30, 2019 and 2018, the Corporation's investment in CHS totaled $97.3 million and $86.6 million, respectively.

Emory Healthcare/St. Joseph's Health System – The Corporation has a 49% interest in Emory Healthcare/St. Joseph's Health System ("EH/SJHS"). EH/SJHS operates several organizations, including two acute care hospitals, St. Joseph's Hospital of Atlanta and John's Creek Hospital. As of June 30, 2019 and 2018, the Corporation's investment in EH/SJHS totaled $136.7 million and $113.7 million, respectively.

Mercy Health Network – The Corporation has a 50% interest in Mercy Health Network, dba MercyOne, ("MHN"), a nonstock-basis membership corporation with CommonSpirit Health, formerly known as Catholic Health Initiatives, ("CSH") holding the remaining 50% interest. MHN is the sole member of Wheaton Franciscan Services, Inc. ("WFSI") that operates three hospitals in Iowa: Covenant Medical Center located in Waterloo, Sartori Memorial Hospital located in Cedar Falls and Mercy Hospital of Franciscan Sisters located in Oelwein. In November 2018, a subsidiary of MHN acquired Central Community Hospital, a critical access hospital located in Elkader, Iowa, and as a result of this transaction, the Corporation recognized an inherent contribution of $3.7 million for the year ended June 30, 2019, in the consolidated statement of operations and changes in net assets.

Effective March 1, 2016, the Corporation and CSH amended and restated their existing MHN Joint Operating Agreement ("JOA") that governs certain of their legacy operations in Iowa to strengthen MHN's management responsibilities over the Iowa operations, to jointly acquire health care operations in Iowa and contiguous markets, and to provide for greater financial, governance and clinical integration. The JOA provides for the Corporation and CSH to maintain ownership of their respective assets in Iowa while agreeing to operate the Corporation's Iowa hospitals in collaboration with CSH's Mercy Hospital Medical Center, Des Moines, Iowa, as one organization with common governance and management. MHN has developed a regional health care network that provides for a collaborative effort in the areas of community health care development, enhanced access to health services for the poor and sharing of other common goals. Under the JOA, the Corporation and CSH equally share adjusted operating cash flow from Iowa operations, which commenced in July 2016. For the years ended June 30, 2019, and 2018, other expense includes a charge of $6.2 million and $11.9 million, respectively, related to the cash flow sharing agreement. As of June 30, 2019 and 2018, the Corporation's investment in MHN totaled $95.7 million and $89.5 million, respectively.

Condensed consolidated balance sheets of BayCare, GHP, CHS, EH/SJHS and MHN as of June 30 are as follows (in thousands):

	2019				
	BayCare	**GHP**	**CHS**	**EH/SJHS**	**MHN**
Total assets	$ 8,390,504	$ 1,093,943	$ 1,335,359	$ 534,806	$ 301,725
Total liabilities	$ 2,141,893	$ 663,102	$ 1,066,702	$ 275,275	$ 105,207

	2018				
	BayCare	**GHP**	**CHS**	**EH/SJHS**	**MHN**
Total assets	$ 7,636,800	$ 1,110,648	$ 1,167,006	$ 514,789	$ 277,175
Total liabilities	$ 1,976,618	$ 695,165	$ 919,050	$ 287,833	$ 95,673

Condensed consolidated statements of operations of BayCare, GHP, CHS, EH/SJHS and MHN for the years ended June 30 are as follows (in thousands):

	2019				
	BayCare	**GHP**	**CHS**	**EH/SJHS**	**MHN**
Revenue, net	$ 3,921,211	$ 2,518,789	$ 1,169,970	$ 696,240	$ 390,429
Excess of revenue over expenses	$ 614,424	$ 19,731	$ (2,349)	$ 43,302	$ 8,014

	2018				
	BayCare	**GHP**	**CHS**	**EH/SJHS**	**MHN**
Revenue, net	$ 3,714,049	$ 2,538,078	$ 1,151,008	$ 509,373	$ 365,764
Excess of revenue over expenses	$ 587,888	$ 82,270	$ 25,086	$ 37,465	$ (16,115)

The following amounts have been recognized in the accompanying consolidated statements of operations and changes in net assets related to the investments in BayCare, GHP, CHS, EH/SJHS and MHN for the years ended June 30 (in thousands):

	2019				
	BayCare	**GHP**	**CHS**	**EH/SJHS**	**MHN**
Other revenue	$ -	$ 9,066	$ -	$ -	$ 2,511
Equity in earnings of unconsolidated organizations	295,688	-	(1,175)	23,591	-
Other changes in unrestricted net assets	6,373	(8,283)	11,932	-	-
Total	$ 302,061	$ 783	$ 10,757	$ 23,591	$ 2,511

	2018				
	BayCare	**GHP**	**CHS**	**EH/SJHS**	**MHN**
Other revenue	$ -	$ 42,037	$ -	$ -	$ (6,215)
Equity in earnings of unconsolidated organizations	296,354	-	12,543	22,495	-
Other changes in unrestricted net assets	8,125	(8,936)	(11,151)	-	-
Total	$ 304,479	$ 33,101	$ 1,392	$ 22,495	$ (6,215)

The unaudited summarized financial position and results of operations for the entities accounted for under the equity method excluding BayCare, GHP, CHS, EH/SJHS and MHN as of and for the years ended June 30 are as follows (in thousands):

	2019					
	Medical Office Buildings	Outpatient and Diagnostic Services	Ambulatory Surgery Centers	Physician Hospital Organizations	Other Investees	Total
Total assets	$ 69,646	$ 281,538	$ 55,037	$ 99,365	$ 738,944	$ 1,244,530
Total liabilities	$ 48,413	$ 121,091	$ 20,769	$ 23,363	$ 339,819	$ 553,455
Revenue, net	$ 15,615	$ 296,004	$ 88,662	$ 20,510	$ 1,498,902	$ 1,919,693
Excess (deficiency) of revenue over expenses	$ 3,777	$ 31,910	$ 25,621	$ (827)	$ 41,052	$ 101,533

	2018					
	Medical Office Buildings	Outpatient and Diagnostic Services	Ambulatory Surgery Centers	Physician Hospital Organizations	Other Investees	Total
Total assets	$ 70,038	$ 218,821	$ 52,003	$ 75,560	$ 684,176	$ 1,100,598
Total liabilities	$ 51,116	$ 97,123	$ 20,815	$ 30,830	$ 347,034	$ 546,918
Revenue, net	$ 16,391	$ 277,352	$ 85,617	$ 52,892	$ 1,522,794	$ 1,955,046
Excess (deficiency) of revenue over expenses	$ 2,604	$ 30,738	$ 24,470	$ (2,762)	$ 43,516	$ 98,566

Acquisitions:

MacNeal Hospital and MacNeal Health Providers ("MacNeal") – On March 1, 2018, the Corporation's Loyola University Health System ("Loyola"), through a wholly controlled subsidiary, purchased the assets of MacNeal Hospital, located in Berwyn, Illinois, and certain other health care operations affiliated with the hospital from an affiliate of Tenet Healthcare Corporation. MacNeal is a health care system that includes a 368-bed community hospital, clinical laboratory, physician medical group, real estate management company, accountable care organization and clinically integrated network. The acquisition of MacNeal will expand Loyola's delivery network for people-centered care, which includes population health and community health. As a result of this transaction, the Corporation recognized goodwill of $142.4 million as cash consideration paid exceeded net assets acquired for the year ended June 30, 2018. The majority of the transaction costs totaling $2.0 million were accrued and paid during the year ended June 30, 2018, primarily for legal and consulting services, and are included in purchased services in the consolidated statement of operations and changes in net assets.

Summarized consolidated balance sheet information for MacNeal at March 1, 2018, is shown below (in thousands):

Cash, cash equivalents, and investments	$	226	Current portion of long-term debt	$	926
Patient accounts receivable, net		51,238	Accounts payable and accrued expenses		21,463
Other receivables		4,670	Salaries, wages and related liabilities		14,679
Inventory		5,073	Estimated payables to third-party payors		38,204
Prepaid expenses and other current assets		889	Long-term debt		654
Property and equipment		121,790	Other long-term liabilities		1,238
Investment in unconsolidated affiliates		500	Total liabilities acquired	$	77,164
Excess cost over net asset acquisition		142,357			
Other intangible assets		3,500	Total net assets without donor restrictions	$	256,364
Other assets		3,285			
Total assets acquired	$	333,528			

For the year ended June 30, 2019 and the four-month period ended June 30, 2018, MacNeal reported revenue of $345.5 million and $116.3 million, respectively, and deficiency of revenue over expenses of $1.6 million and $1.0 million, respectively, in the consolidated statements of operations and changes in net assets.

Sales and Divestitures:

St. Joseph Mercy Chelsea Hospital ("Chelsea") – Effective July 1, 2018, the Corporation, through its subsidiary Trinity Health - Michigan, sold a 49% noncontrolling membership interest to the Regents of the University of Michigan as part of a broader initiative to develop and implement new collaborations on a statewide basis throughout Michigan to improve the health of the communities that they serve and enhance the efficiencies and value of the systems' delivery of health care. The Corporation maintains control of Chelsea. At the effective date, $53.8 million was recorded as noncontrolling ownership interest in subsidiaries in the consolidated statements of operations and changes in net assets and on the consolidated balance sheet. For the year ended June 30, 2019, the Corporation's consolidated statements of operations and changes in net assets included revenue of $173.2 million and deficiency of revenue over expenses of $2.3 million, related to the operations of Chelsea prior to the provision for noncontrolling ownership interest.

Membership Transfer Agreement Lourdes Health System ("Lourdes") – Effective June 30, 2019, Maxis, a wholly-controlled subsidiary of Trinity Health, transferred membership interests of Our Lady of Lourdes Health Care Services, Inc. (the Lourdes legal entity) from Maxis to Virtua Health, Inc. ("Virtua"). The transfer to Virtua included substantially all of the health care operations and certain assets and working capital of Lourdes effective as of June 30, 2019. Lourdes includes Our Lady of Lourdes Medical Center (Camden, NJ) and Lourdes Medical Center of Burlington County (Willingboro, NJ) and their affiliated operations. As a result of the Membership Transfer agreement executed on June 4, 2018, certain assets and liabilities met the criteria to be classified as held for sale in accordance with the guidance in the FASB's Accounting Standards Codification 360, "*Property, Plant and Equipment*." Assets of $67.8 million were reclassified as "assets held for sale" in current assets and related liabilities of $32.4 million were reclassified as "liabilities held for sale" in current liabilities in the accompanying consolidated balance sheet as of June 30, 2018. These assets and liabilities were recorded at the lower of their carrying amount or their fair value less estimated costs to sell. As further described in Note 5, an asset impairment charge of $69.9 million was recorded in the statement of operations and changes in net assets during the year ended June 30, 2018 to write-down fixed assets held for sale to their estimated fair value, less estimated costs to sell, as a result of the planned divestiture of these assets. As a result of the transaction, a loss on transfer of $57.4 million was recorded in the statement of operations and changes in net assets for the year-ended

June 30, 2019. For the years ended June 30, 2019 and 2018, the Corporation's consolidated statements of operations and changes in net assets included revenue of $542.4 million and $564.2 million, respectively, and deficiency of revenue over expenses of $90.6 million and $93.6 million respectively, related to the operations of Lourdes.

4. OPERATING REVENUE

Operating revenue consists primarily of net patient service revenue and premium and capitation revenue. Revenue from patient's deductibles and coinsurance are included in the categories presented below based on the primary payer. Premium revenue primarily results from the Corporation's health plans, which sell Medicare Advantage products, under two separate contracts with CMS. The table below shows sources of net patient service revenue by primary payer for the year ended June 30 (in thousands):

		2019
Net patient service revenue, by payer:		
Medicare	$	6,681,591
Blue Cross		3,384,270
Medicaid		2,640,210
Uninsured		372,364
Commercial and Other		3,523,453
Net patient service revenue, by payer	$	16,601,888

Patient service revenue, net of contractual and other allowances (but before provision for bad debts) recognized during the year ended June 30 are as follows (in thousands):

		2018
Patient service revenue, by payer:		
Medicare	$	6,321,196
Blue Cross		3,427,570
Medicaid		2,603,890
Uninsured		453,003
Commercial and Other		3,600,593
Patient service revenue, by payer	$	16,406,252

The composition of net patient service revenue and other revenue based on service lines for the year ended June 30 (in thousands) are as follows:

		2019
Service line net patient service revenue:		
Acute care - inpatient	$	7,531,801
Acute care - outpatient		6,351,416
Physician services		1,986,771
Long term care		324,644
Home health care		407,256
Net patient service revenue, by service line	$	16,601,888
Premium revenue		612,487
Capitation revenue		448,413
Revenue from other sources		1,630,435
Total operating revenue	$	19,293,223

5. LONG-LIVED ASSETS

Property and Equipment:

A summary of property and equipment as of June 30 is as follows (in thousands):

	2019	2018
Land	$ 357,802	$ 354,787
Buildings and improvements	9,928,543	9,277,115
Equipment	6,264,515	6,194,869
Capital leased assets	133,181	160,685
Total	16,684,041	15,987,456
Accumulated depreciation and amortization	(9,439,638)	(9,068,253)
Construction in progress	1,115,571	1,106,377
Property and equipment, net	$ 8,359,974	$ 8,025,580

As of June 30, 2019, commitments for capital projects of approximately $334.7 million were outstanding. Significant commitments are primarily for facility expansion at existing campuses and related infrastructures at the following Health Ministries: Mount Carmel Health System in Columbus, Ohio – $70.8 million; Mercy Health Campus in Muskegon, Michigan – $42.2 million; St. Peter's Health Partners in Albany, New York – $39.2 million; St. Mary Mercy in Livonia, Michigan – $20.6 million; and MercyOne Medical Center in Dubuque, Iowa – $18.7 million. Additionally, Trinity Information Services has commitments of $42.8 million primarily related to system-wide software licenses and upgrades. The remaining amount is due to several smaller projects across the Corporation.

In conjunction with the acquisition of St. Francis Hospital and Medical Center, Hartford, CT ("SFC") during the year ended June 30, 2016, the Corporation committed to $275 million of capital spending over five years, if performance metrics were achieved, with the commitment period ending June 30, 2020. The Corporation's related capital spending for SFC through June 30, 2019 is $193.2 million.

Goodwill:

The following table provides information on changes in the carrying amount of goodwill, which is included in the accompanying consolidated financial statements of the Corporation as of June 30 (in thousands):

	2019	2018
As of July 1:		
Goodwill	$ 468,441	$ 331,024
Accumulated impairment loss	(29,981)	(29,981)
Total	438,460	301,043
Goodwill acquired during the year	-	156,593
Reclassification to assets held for sale	-	(19,176)
Impairment loss	(1,057)	-
Total	$ 437,403	$ 438,460
As of June 30:		
Goodwill	$ 468,441	$ 468,441
Accumulated impairment loss	(31,038)	(29,981)
Total	$ 437,403	$ 438,460

Impairments:

During the year ended June 30, 2019, the Corporation recorded impairment charges of $25.2 million in the consolidated statement of operations and changes in net assets. $23.4 million of the impairments were primarily at certain facilities of four Health Ministries across the Corporation where material adverse trends in the most recent estimates of future undiscounted cash flows indicated that the carrying value of the long-lived assets were not recoverable from estimated future cash flows. The Corporation believes the most significant factors contributing to the continuing adverse financial trends in these locations include reduction in volumes, shifts in payer mix or a reduction in the remaining estimated useful life of the assets. The total impairments were comprised of $23.4 million of property and equipment, and $1.8 million of goodwill and other assets.

During the year ended June 30, 2018, the Corporation recorded impairment charges of $264.4 million in the consolidated statement of operations and changes in net assets. $107.8 million of impairments were due to the Corporation's decision to move to a single, enterprise-wide electronic health record and revenue cycle management system platform. The integrated system will enable the health system to improve experiences for patients and clinicians. The project has commenced during fiscal year 2019. As discussed in Note 3, $69.9 million of the impairments were due to the planned divestiture of the Corporation's Lourdes subsidiary. $86.7 million of the impairments were primarily at three Health Ministries across the Corporation where material adverse trends in the most recent estimates of future undiscounted cash flows indicated that the carrying value of the long-lived assets were not recoverable from estimated future cash flows. The Corporation believes the most significant factors contributing to the continuing adverse financial trends in these locations include reduction in volumes and shifts in payer mix. The total impairments were comprised of $15.7 million of land, $244.4 million of property and equipment, and $4.3 million of intangible and other assets.

6. LONG-TERM DEBT AND OTHER FINANCING ARRANGEMENTS

A summary of short-term borrowings and long-term debt as of June 30 is as follows (in thousands):

	2019	2018
Short-term borrowings:		
Variable rate demand bonds with contractual maturities through 2049. Interest payable monthly at rates ranging from 0.85% to 2.40% during 2019 and 0.74% to 1.82% during 2018	$ 686,670	$ 711,020
Long-term debt:		
Tax-exempt revenue bonds and refunding bonds:		
Fixed-rate term and serial bonds, payable at various dates through 2049. Interest rates ranging from 2.72% to 6.25% during 2019 and 2.00% to 8.38% during 2018	$ 4,388,570	$ 4,288,594
Variable-rate term bonds, payable at various dates through 2051. Interest rates ranging from 1.32% to 3.19% during 2019 and 1.15% to 2.95% during 2018	830,967	834,812
Taxable revenue bonds:		
Fixed-rate term, payable in 2046. Interest rate of 4.13% during 2019 and 2018	481,515	481,515
Variable-rate term bonds, payable at various dates through 2051. Interest rates ranging from 2.53% to 2.97% during 2019 and 1.68% to 2.43% during 2018	54,680	54,680
Notes payable to banks. Interest payable at rates ranging from 1.44% to 5.15% during 2019 and 1.44% to 8.00% during 2018, fixed and variable, payable in varying monthly installments through 2032	27,214	30,693
Capital lease obligations (excluding imputed interest of $24.9 million at June 30, 2019 and $28.9 million at June 30, 2018)	69,715	81,618
Mortgage obligations. Interest payable at rates ranging from 3.35% to 5.04% during 2019 and 3.05% to 5.75% during 2018	70,817	78,396
Other	59,223	55,270
Total long-term debt	5,982,701	5,905,578
Less current portion, net of current discounts	(126,727)	(276,295)
Unamortized debt issuance costs	(37,670)	(37,838)
Unamortized premiums, net	404,604	390,696
Long-term debt, net of current portion	$ 6,222,908	$ 5,982,141

Contractually obligated principal repayments on short-term borrowings and long-term debt are as follows (in thousands):

	Short-Term Borrowings	Long-Term Debt
Years ending June 30:		
2020	$ 19,395	$ 127,400
2021	16,810	118,021
2022	17,735	117,001
2023	16,395	124,408
2024	16,920	127,016
Thereafter	599,415	5,368,855
Total	$ 686,670	$ 5,982,701

A summary of interest costs on borrowed funds primarily under the revenue bond indentures during the years ended June 30 is as follows (in thousands):

	2019	2018
Interest costs incurred	$ 256,692	$ 240,748
Less capitalized interest	(17,748)	(15,866)
Interest expense included in operations	$ 238,944	$ 224,882

Obligated Group and Other Requirements – The Corporation has debt outstanding under a master trust indenture dated October 3, 2013, as amended and supplemented, the amended and restated master indenture ("ARMI"). The ARMI permits the Corporation to issue obligations to finance certain activities. Obligations issued under the ARMI are joint and several obligations of the obligated group established thereunder (the "Obligated Group," which currently consists of the Corporation). Proceeds from tax-exempt bonds and refunding bonds are to be used to finance the construction, acquisition and equipping of capital improvements. Proceeds from taxable bonds are to be used to finance corporate purposes. Certain Health Ministries of the Corporation constitute designated affiliates and the Corporation covenants to cause each designated affiliate to pay, loan or otherwise transfer to the Obligated Group such amounts necessary to pay the amounts due on all obligations issued under the ARMI. The Obligated Group and the designated affiliates are referred to as the Trinity Health Credit Group.

Effective June 28, 2019, the St. Peter's obligated group and master trust indenture were discharged and certain New York entities that constitute designated affiliates were formally transitioned to the Trinity Health Credit Group. Prior to June 28, 2019, those New York entities, consisting of St. Peter's Hospital of the City of Albany; St Peter's Health Partners; Memorial Hospital, Albany, New York; Samaritan Hospital of Troy, New York; Seton Health System, Inc.; Sunnyview Hospital and Rehabilitation Center; the Capital Region Geriatric Center, Inc. and Hawthorne Ridge, Inc., were included in the Corporation's consolidated financial statements, but were not part of the Trinity Health Credit Group. Additionally, St. Joseph's Hospital Health Center, Syracuse, New York became a designated affiliate on June 28, 2019. Also, as a result of the transfer of Lourdes, described in Note 3, the related designated affiliates were removed from the Trinity Health Credit Group effective June 30, 2019.

Pursuant to the ARMI, the Obligated Group agent (which is the Corporation) has caused the designated affiliates representing, when combined with the Obligated Group members, at least 85% of the consolidated net revenues of the Trinity Health Credit Group to grant to the master trustee security interests in their pledged property which security interests secure all obligations issued under the ARMI. There are several conditions and covenants required by the ARMI with which the Corporation must comply, including covenants that require the Corporation to maintain a minimum historical debt-service coverage and limitations on liens or security interests in property, except for certain permitted encumbrances, affecting the property of the Corporation or any material designated affiliate (a designated affiliate whose total revenues for the most recent fiscal year exceed 5% of the combined total revenues of the Corporation for the most recent fiscal year). Long-term debt outstanding as of June 30, 2019 and 2018, that has not been secured under the ARMI is generally collateralized by certain property and equipment.

Further, Mercy Health System of Chicago ("MHSC") has a $53.3 million mortgage loan outstanding at June 30, 2019, that is insured by the U.S. Department of Housing and Urban Development ("HUD"). MHSC's payment obligations under the two mortgage notes evidencing this loan are guaranteed by the Corporation. The mortgage loan agreements with HUD contain various covenants, including those relating to limitations on incurring additional debt, transactions with affiliates, transferring or disposing of designated property, use of funds and other assets of the mortgaged property, financial performance, required reserves, insurance coverage, timely submission of specified financial reports and restrictions on prepayment of the mortgage loan. MHSC and the Corporation provided covenants to HUD not to interfere in the performance of MHSC's obligations under the HUD-insured loan documents. MHSC is not a designated affiliate and is not part of the Trinity Health Credit Group.

Commercial Paper – The Corporation's commercial paper program is authorized for borrowings up to $600 million. As of June 30, 2019 and 2018, the total amount of commercial paper outstanding was $99.5 million and $99.9 million, respectively. Proceeds from this program are to be used for general purposes of the Corporation. The notes are payable from the proceeds of subsequently issued notes and from other funds available to the Corporation, including funds derived from the liquidation of securities held by the Corporation in its investment portfolio. The interest rate charged on borrowings outstanding during the years ended June 30, 2019 and 2018, ranged from 1.89% to 2.55% and 1.03% to 2.03%, respectively.

Liquidity Facilities – On August 30, 2018, the Corporation reduced its commitment amount from $931 million to $900 million under a single Credit Agreement (the "Credit Agreement"), by and among the Corporation and U.S. Bank National Association, which acts as an administrative agent for a group of lenders under the Credit Agreement. The Credit Agreement establishes a revolving credit facility for the Corporation, under which that group of lenders agree to lend to the Corporation amounts that may fluctuate from time to time. Amounts drawn under the Credit Agreement can only be used to support the Corporation's obligation to pay the purchase price of bonds that are subject to tender and that have not been successfully remarketed, and the maturing principal of and interest on commercial paper notes. Of the $900 million available balance, the amount is divided equally among the three tranches ($300 million each), with maturity dates of August 2020, August 2021 and August 2022. The Credit Agreement is secured by obligations under the ARMI. As of June 30, 2019 and 2018, there were no amounts outstanding on this Credit Agreement. See Note 14 for further discussion of liquidity facilities.

In addition, in August 2017, the Corporation renewed a three-year general purpose credit facility of $200 million. As of June 30, 2019 and 2018, there were no amounts outstanding under this credit facility. See Note 14 for further discussion of liquidity facilities.

Standby Letters of Credit – The Corporation has entered into various standby letters of credit totaling $107.0 million and $56.9 million as of June 30, 2019 and 2018, respectively. These standby letters of credit are renewed annually and are available to the Corporation as necessary under its insurance programs and for unemployment liabilities. There were no draws on the letters of credit during the years ended June 30, 2019 and 2018.

Transactions – In October 2017, the Corporation remarketed $50 million in tax-exempt, variable-rate hospital revenue bonds under the ARMI, pursuant to a continuing covenant agreement with a private purchaser which provides for a three-year mandatory tender period (subject to mandatory tender on October 2, 2020).

During December 2017, the Trinity Health Credit Group issued $986.1 million par value in tax-exempt fixed-rate hospital revenue bonds at a premium of $137.0 million under the ARMI. Proceeds were used to refund $504.4 million of certain tax-exempt bonds and pay down $217.5 million of then outstanding taxable commercial paper obligations in December 2017. The remaining proceeds were used to finance, refinance and reimburse a portion of the costs of acquisition, construction, and renovation and equipping of health facilities. The Corporation advance refunded the bonds by depositing funds in trustee-held escrow accounts exclusively for the payment of principal and interest. The trustees/escrow agents are solely responsible for the subsequent extinguishment of the bonds. The trustee-held escrow accounts are invested in U.S. government securities.

Also during December 2017, tax-exempt bonds of $204 million were converted from variable-rate to fixed-rate bonds. Concurrently during December 2017, the Trinity Health Credit Group issued $131.5 million of additional bonds under the existing taxable fixed-rate bonds that were originally issued in 2015, at a premium of $7.2 million. Proceeds were used to refund $56.0 million of the tax-exempt bonds. Remaining proceeds were used to finance corporate purposes of the Corporation and its affiliates and to pay certain costs of issuance. The Corporation advance refunded the tax-exempt bonds by depositing funds in trustee-held escrow accounts exclusively for the payment of principal and interest. The trustees/escrow agents are solely responsible for the subsequent extinguishment of the bonds. The trustee-held escrow accounts are invested in U.S. government securities. In January 2018, tax-exempt bonds of $49.2 million were converted from variable-rate to fixed-rate bonds.

During February 2019, the Trinity Health Credit Group issued $347.0 million par value tax-exempt fixed-rate hospital revenue bonds at a premium of $36.5 million under the ARMI. Proceeds were used to partially refund $78.9 million of certain tax-exempt bonds. The remaining proceeds will be used to refinance and reimburse a portion of the costs of acquisition, construction, and renovation and equipping of health facilities. The Corporation also refunded certain tax-exempt bonds within 90 days of the call date of such bonds, by depositing funds in trustee-held escrow accounts exclusively for the payment of principal and interest of such bonds. The trustees/escrow agents are solely responsible for the subsequent extinguishment of the bonds. The trustee held escrow accounts are invested in U.S. government securities. Also during February 2019, $75.0 million of tax-exempt variable-rate direct placement bonds were converted to a floating rate note.

As a result of the divestiture of Lourdes on June 30, 2019, described in Note 3, the Corporation defeased approximately $85.2 million of bonds through the funding of various escrow accounts on June 28, 2019. In addition, the Corporation redeemed approximately $1.3 million of bonds on June 28, 2019.

7. PROFESSIONAL AND GENERAL LIABILITY PROGRAMS

The Corporation operates a wholly owned insurance company, Trinity Assurance, Ltd. (“TAL”). TAL qualifies as a captive insurance company and provides certain insurance coverage to the Corporation’s Health Ministries under a centralized program. The Corporation is self-insured for certain levels of general and professional liability, workers’ compensation and certain other claims. The Corporation has limited its liability by purchasing other coverages from unrelated third-party commercial insurers. TAL has also limited its liability through commercial reinsurance arrangements.

The Corporation’s current self-insurance program includes $15 million per occurrence for the primary layers of professional liability as well as $10 million per occurrence for general and hospital government liability, $5 million per occurrence for miscellaneous errors and omissions liability, and $1 million per occurrence for management liability (directors' and officers' and employment practices), network security and privacy liability and certain other coverages. In addition, through TAL and its various commercial reinsurers, the Corporation maintains integrated excess liability coverage with separate annual aggregate limits for professional/general liability and management liability. The Corporation self-insures $750,000 per occurrence for workers' compensation in most states, with commercial insurance providing coverage up to the statutory limits, and self-insures up to $500,000 per occurrence for first-party property damage with commercial insurance providing additional coverage. Privacy and network security coverage in excess of the self-insurance is also commercially insured.

The liability for self-insurance reserves represents estimates of the ultimate net cost of all losses and loss adjustment expenses, which are incurred but unpaid at the consolidated balance sheet date. The reserves are based on the loss and loss adjustment expense factors inherent in the Corporation's premium structure. Independent consulting actuaries determined these factors from estimates of the Corporation's expenses and available industry-wide data. The Corporation discounts the reserves to their present value using a 2.5% and 3% discount rate as of June 30, 2019 and 2018, respectively. The reserves include estimates of future trends in claim severity and frequency. Although considerable variability is inherent in such estimates, management believes that the liability for unpaid claims and related adjustment expenses is adequate based on the loss experience of the Corporation. The estimates are continually reviewed and adjusted as necessary. The changes to the estimated self-insurance reserves were determined based upon the annual independent actuarial analyses.

Claims in excess of certain insurance coverage and the recorded self-insurance liability have been asserted against the Corporation by various claimants. The claims are in various stages of processing and some may ultimately be brought to trial. There are known incidents occurring through June 30, 2019, that may result in the assertion of additional claims and other claims may be asserted arising from services provided in the past. While it is possible that settlement of asserted claims and claims which may be asserted in the future could result in liabilities in excess of amounts for which the Corporation has provided, management, based upon the advice of legal counsel, believes that the excess liability, if any, should not materially affect the consolidated financial statements of the Corporation.

8. PENSION AND OTHER BENEFIT PLANS

Deferred Compensation – The Corporation has nonqualified deferred compensation plans at certain Health Ministries that permit eligible employees to defer a portion of their compensation. The deferred amounts are distributable in cash after retirement or termination of employment. As of June 30, 2019 and 2018, the assets under these plans totaled $256.0 million and $230.4 million, respectively, and liabilities totaled $269.3 million and $240.3 million, respectively, which are included in self-insurance, benefit plans and other assets and other long-term liabilities in the consolidated balance sheets.

Defined Contribution Benefits – The Corporation sponsors defined contribution pension plans covering substantially all of its employees. These programs are funded by employee voluntary contributions, subject to legal limitations. Employer contributions to these plans include a nonelective contribution of 3% for participants who satisfy certain eligibility requirements, with a minimum nonelective contribution for certain participants, and varying levels of matching contributions based on employee service. The employees direct their voluntary contributions and employer contributions among a variety of investment options. Contribution expense under the plans totaled $353.6 million and $336.2 million for the years ended June 30, 2019 and 2018, respectively.

Noncontributory Defined Benefit Pension Plans ("Pension Plans") – The Corporation maintains qualified Pension Plans that are closed to new participants and under which benefit accruals are frozen. Certain nonqualified, supplemental plan arrangements also provide retirement benefits to specified groups of participants.

Certain plans are subject to the provisions of the Employee Retirement Security Act of 1974 ("ERISA"). The majority of the plans sponsored by the Corporation are intended to be "Church Plans," as defined in the Code Section 414(e) and Section 3(33) of the ERISA, as amended, which have not made an election under Section 410(d) of the Code to be subject to ERISA. The Corporation's adopted funding policy for its qualified church plans, which is reviewed annually, is to fund the current service cost based on the accumulated benefit obligations and amortization of any under or over funding.

Postretirement Health Care and Life Insurance Benefits ("Postretirement Plans") – The Corporation sponsors both funded and unfunded contributory plans to provide health care benefits to certain of its retirees. All of the Postretirement Plans are closed to new participants. The Postretirement Plans cover certain hourly and salaried employees who retire from certain Health Ministries. Medical benefits for these retirees are subject to deductibles and cost sharing provisions. The funded plans provide benefits to certain retirees at fixed dollar amounts in health reimbursement account arrangements for Medicare eligible participants.

The following table sets forth the changes in projected benefit obligations, accumulated postretirement obligations and changes in plan assets and funded status of the plans for both the Pension Plans and Postretirement Plans for the years ended June 30 (in thousands):

	2019	2018	2019	2018
	Pension Plans		Postretirement Plans	
Change in Benefit Obligations:				
Benefit obligation, beginning of year	$ 7,190,747	$ 7,713,581	$ 123,762	$ 135,753
Service cost	-	-	87	168
Interest cost	313,309	313,868	5,290	5,342
Actuarial loss (gain)	560,724	(388,277)	(3,697)	(11,326)
Benefits paid	(454,129)	(448,425)	(6,238)	(6,243)
Medicare Part D reimbursement	-	-	25	68
Plan change	-	-	(652)	-
Benefit obligation, end of year	7,610,651	7,190,747	118,577	123,762
Change in Plan Assets:				
Fair value of plan assets, beginning of year	6,533,160	6,433,395	113,506	106,168
Actual return on plan assets	499,917	363,810	10,415	10,999
Employer contributions	127,049	184,380	2,280	2,582
Benefits paid	(454,129)	(448,425)	(6,238)	(6,243)
Fair value of plan assets, end of year	6,705,997	6,533,160	119,963	113,506
Unfunded amount recognized June 30	$ (904,654)	$ (657,587)	$ 1,386	$ (10,256)
Recognized in other long-term assets	$ 101	$ 435	$ 29,869	$ 19,981
Recognized in accrued pension and retiree health costs	$ (904,755)	$ (658,022)	$ (28,483)	$ (30,237)

Actuarial losses during 2019 are due primarily to decreases in the discount rates used to measure plan liabilities and changes in demographics. Actuarial gains during 2018 are due primarily to increases in discount rates used to measure plan liabilities and changes in mortality assumptions. One of the postretirement plans was modified to exclude life insurance eligibility for participants not retired as of December 31, 2018 resulting in a gain of $0.6 million.

The accumulated benefit obligation for all defined benefit pension plans was $7,610,527 and $7,190,428 at June 30, 2019 and 2018, respectively.

Information for pension plans with an accumulated benefit obligation in excess of plan assets

	2019	2018
Accumulated benefit obligation	$ 7,601,244	$ 7,181,243
Fair value of plan assets	6,696,610	6,523,540
Funded status	$ (904,634)	$ (657,703)

Information for pension plans with a projected benefit obligation in excess of plan assets

	2019	2018
Projected benefit obligation	$ 7,601,365	$ 7,181,565
Fair value of plan assets	6,696,610	6,523,540
Funded status	$ (904,755)	$ (658,025)

The accumulated postretirement benefit obligation for all plans was $118,577 and $123,762 at June 30, 2019 and 2018, respectively.

Information for postretirement plans with an accumulated benefit obligation in excess of plan assets

	2019	2018
Accumulated benefit obligation	$ 28,782	$ 30,721
Fair value of plan assets	508	591
Funded status	$ (28,274)	$ (30,130)

Components of net periodic benefit income for the years ended June 30 consisted of the following (in thousands):

	2019	2018	2019	2018
	Pension Plans		Postretirement Plans	
Service cost	$ -	$ -	$ 87	$ 168
Interest cost	313,309	313,868	5,290	5,342
Expected return on assets	(425,523)	(440,103)	(7,716)	(7,735)
Amortization of prior service credit	(5,428)	(9,057)	(421)	(501)
Recognized net actuarial loss (gain)	67,590	77,869	(1,188)	(183)
Net periodic benefit income	$ (50,052)	$ (57,423)	$ (3,948)	$ (2,909)

The amounts included in net assets without donor restrictions, including amounts arising during the year and amounts reclassified into net periodic benefit cost, are as follows (in thousands):

	Pension Plans		
	Net Loss (Gain)	Prior Service Credit	Total
Balance at July 1, 2017	$ 2,595,555	$ (125,670)	$ 2,469,885
Reclassified into net periodic benefit cost	(77,869)	9,057	(68,812)
Arising during the year	(311,976)	-	(311,976)
Balance at June 30, 2018	$ 2,205,710	$ (116,613)	$ 2,089,097
Reclassified into net periodic benefit cost	(67,590)	5,428	(62,162)
Arising during the year	486,326	-	486,326
Balance at June 30, 2019	$ 2,624,446	$ (111,185)	$ 2,513,261

	Postretirement Plans			All Plans
	Net Loss (Gain)	Prior Service Credit	Total	Grand Total
Balance at July 1, 2017	$ (4,353)	$ (2,706)	$ (7,059)	$ 2,462,826
Reclassified into net periodic benefit cost	183	501	684	(68,128)
Arising during the year	(14,647)	-	(14,647)	(326,623)
Balance at June 30, 2018	$ (18,817)	$ (2,205)	$ (21,022)	$ 2,068,075
Reclassified into net periodic benefit cost	1,188	421	1,609	(60,553)
Arising during the year	(6,499)	(652)	(7,151)	479,175
Balance at June 30, 2019	$ (24,128)	$ (2,436)	$ (26,564)	$ 2,486,697

Assumptions used to determine benefit obligations and net periodic benefit cost as of and for the years ended June 30 were as follows:

	2019	2018	2019	2018
	Pension Plans		Postretirement Plans	
Benefit Obligations:				
Discount rate	3.60% - 4.00%	4.15% - 4.60%	3.30% - 3.75%	3.75% - 4.55%
Weighted average interest crediting rate	3.12%	3.59%	N/A	N/A
Rate of compensation increase	N/A	N/A	N/A	N/A
Net Periodic Benefit Cost:				
Discount rate	4.15% - 4.60%	3.95% - 4.35%	3.75% - 4.55%	3.60% - 4.20%
Weighted average interest crediting rate	3.59%	3.37%	N/A	N/A
Expected long-term return on plan assets	5.00% - 6.75%	7.00%	7.00%	7.50%
Rate of compensation increase	N/A	N/A	N/A	N/A

Approximately 72% of the Corporation's pension plan liabilities were measured using a 3.80% and 4.50% discount rate as of June 30, 2019 and 2018, respectively.

The Corporation utilizes a pension liability driven investment strategy in determining its asset allocation and long-term rate of return for plan assets. This risk management strategy uses a glide path methodology based on funded status to initiate asset allocation changes across the efficient frontier. Efficient frontier analysis models the risk and return trade-offs among asset classes while taking into consideration the correlation among the asset classes. Historical market returns and risks are examined as part of this process, but risk-based adjustments are made to correspond with modern portfolio theory. Long-term historical correlations between asset classes are used, consistent with widely accepted capital markets principles. Current market factors, such as inflation and interest rates, are evaluated before long-term capital market assumptions are determined. The long-term rate of return is established using the efficient frontier analysis approach with proper consideration of asset class diversification and rebalancing. Peer data and historical returns are reviewed to check for reasonableness and appropriateness.

Health Care Cost Trend Rates – Assumed health care cost trend rates have a significant effect on the amounts reported for the postretirement plans. The postretirement benefit obligation includes assumed health care cost trend rates as of June 30 as follows:

	2019	2018
Medical and drugs, pre-age 65	6.95%	7.22%
Medical and drugs, post-age 65	6.95%	7.22%
Ultimate trend rate	5.0%	5.0%
Year rate reaches the ultimate rate	2026	2026

The Corporation's investment allocations as of June 30 by investment category are as follows:

	2019	2018	2019	2018
	Pension Plans		Postretirement Plans	
Investment Category:				
Cash and cash equivalents	3%	3%	-	1%
Marketable securities:				
U.S. and non-U.S. equity securities	12%	12%	-	-
Equity mutual funds	4%	5%	-	-
Debt securities	42%	34%	19%	22%
Other investments:				
Commingled funds	20%	24%	81%	77%
Hedge funds	16%	18%	-	-
Private equity funds	3%	4%	-	-
Total	100%	100%	100%	100%

The Corporation employs a total return investment approach whereby a mix of equities and fixed-income investments are used to maximize the long-term return of plan assets for a prudent level of risk. Risk tolerance is established through careful consideration of plan liabilities, plan funded status and corporate financial condition. The investment portfolio contains a diversified blend of equity and fixed-income investments. Furthermore, equity investments are diversified across U.S. and non-U.S. stocks, as well as growth, value and small and large capitalizations. Other investments, such as hedge funds, interest rate swaps and private equity are used judiciously to enhance long-term returns while improving portfolio diversification. Derivatives may be used to gain market exposure in an efficient and timely manner; however, derivatives may not be used to leverage the portfolio beyond the market value of the underlying investments. Investment risk is measured and monitored on an ongoing basis through quarterly investment portfolio reviews, annual liability measurements and periodic asset/liability studies. For the majority of the Corporation's pension plan investments, the combined target investment allocation as of June 30, 2019, was global and traditional equity securities 35%; long/short equity 7%; fixed-income obligations 40%; hedge funds 11%; alternative debt 5%; and cash 2%.

The following tables summarize the Pension Plans' and Postretirement Plans' assets measured at fair value as of June 30 (in thousands). See Note 10 for definitions of Levels 1, 2 and 3 of the fair value hierarchy. There were no Level 3 assets held in any of the retirement plans at June 30, 2019.

	2019		
Pension Plans:	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Total Fair Value**
Cash and cash equivalents	$ 224,876	$ 6,677	$ 231,553
Equity securities	797,342	101	797,443
Debt securities			
Government and government agency obligations	-	1,070,431	1,070,431
Corporate bonds	-	1,672,888	1,672,888
Asset backed securities	-	38,286	38,286
Exchange traded/mutual funds			
Equity funds	255,465	-	255,465
Fixed-income funds	52,440	-	52,440
Other	(1,089)	-	(1,089)
Subtotal	$ 1,329,034	$ 2,788,383	$ 4,117,417
Investments measured at net asset value:			
Commingled funds			
Equity funds			1,304,625
Fixed-income funds			13,279
Hedge funds			1,065,553
Private equity			205,123
Total assets			$ 6,705,997
Postretirement Plans:			
Exchange traded/mutual funds			
Short-term investment funds	$ 281	$ -	$ 281
Fixed-income funds	22,985	-	22,985
Other	809	-	809
Subtotal	$ 24,075	$ -	$ 24,075
Investment measured at net asset value:			
Equity commingled fund			95,888
Total assets			$ 119,963

	2018			
Pension Plans:	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total Fair Value**
Cash and cash equivalents	$ 161,162	$ 9,176	$ -	$ 170,338
Equity securities	755,918	100	-	756,018
Debt securities				
Government and government agency obligations	-	814,823	-	814,823
Corporate bonds	-	1,344,248	-	1,344,248
Asset backed securities	-	68,698	-	68,698
Exchange traded/mutual funds				
Equity funds	311,707	-	-	311,707
Fixed-income funds	58,149	-	-	58,149
Private equity	-	-	2,421	2,421
Other	(17,895)	-	-	(17,895)
Subtotal	$ 1,269,041	$ 2,237,045	$ 2,421	$ 3,508,507
Investments measured at net asset value:				
Commingled funds				
Equity funds				1,535,149
Fixed-income funds				12,479
Hedge funds				1,204,394
Private equity				272,631
Total assets				$ 6,533,160
Postretirement Plans:				
Exchange traded/mutual funds				
Short-term investment funds	$ 1,254	$ -	$ -	$ 1,254
Fixed-income funds	24,310	-	-	24,310
Other	4,174	-	-	4,174
Subtotal	$ 29,738	$ -	$ -	$ 29,738
Investment measured at net asset value:				
Equity commingled fund				83,768
Total assets				$ 113,506

Unfunded capital commitments related to private equity investments totaled $51.1 million and $47.3 million as of June 30, 2019 and 2018, respectively.

See Note 10 for the Corporation's methods and assumptions to estimate the fair value of equity and debt securities, mutual funds, commingled funds and hedge funds.

Private Equity – These assets include two private equity funds that invest primarily in Europe, both directly and on the secondary market. These funds are valued based on competitive bid evaluation.

Other – Represents unsettled transactions relating primarily to purchases and sales of plan assets, accrued income and derivatives. Due to the short maturity of these assets and liabilities, the fair value approximates the carrying amounts. The fair value of the derivatives is estimated utilizing the terms of the derivative instruments and publicly available market yield curves. The Pension Plans' investment policies specifically prohibit the use of derivatives for speculative purposes.

The following table summarizes the changes in Level 3 Pension Plan assets for the years ended June 30 (in thousands):

	Private Equity
Balance at July 1, 2017	$ 4,275
Realized gain	775
Unrealized loss	(645)
Settlements	(1,984)
Balance at June 30, 2018	$ 2,421
Transfer out of level 3	(2,421)
Balance at June 30, 2019	$ -

Assets were transferred out of Level 3 into Level 1 as the funds are winding down and the remaining balance is not material to the portfolio.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Corporation believes the valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Expected Contributions – The Corporation expects to contribute approximately $169 million to its Pension Plans and $3 million to its Postretirement Plans during the year ended June 30, 2020, under the Corporation's stated funding policies.

Expected Benefit Payments – The Corporation expects to pay the following for pension benefits for the year ending June 30, which reflect expected future service as appropriate, and expected postretirement benefits, before deducting the Medicare Part D subsidy (in thousands):

	Pension Plans	Postretirement Plans	Postretirement Medicare Part D Subsidy
Years ending June 30:			
2020	$ 542,583	$ 9,032	$ 62
2021	492,119	9,074	57
2022	490,236	9,019	51
2023	490,618	8,852	47
2024	486,337	8,629	41
Years 2025 - 2029	2,303,069	39,848	140

9. COMMITMENTS AND CONTINGENCIES

Operating Leases – The Corporation leases various land, facilities and equipment under operating leases. Total rental expense, which includes provisions for maintenance in some cases, was $223.6 million and $224.1 million for the years ended June 30, 2019 and 2018, respectively.

The following is a schedule of future minimum lease payments under operating leases as of June 30, 2019, that have initial or remaining lease terms in excess of one year (in thousands):

Years ending June 30:		
2020	$	172,118
2021		148,749
2022		127,253
2023		98,410
2024		73,409
Thereafter		172,236
Total	$	792,175

Litigation and Settlements – One of the Corporation's Regional Health Ministries, Mount Carmel Health System ("MCHS"), discovered sentinel events relating to a clinical practice by one of its physicians and the related conduct of certain of MCHS' staff. The physician's employment was terminated, and this matter was reported to the authorities. The Corporation and MCHS continue to fully cooperate with the investigations. Based on its own investigation, the Corporation and MCHS developed an action plan and immediately began implementing steps to ensure that these events do not happen again. The Corporation believes that this matter will be resolved without material adverse effect to the Corporation's future consolidated financial position or results of operations.

The Corporation is involved in other litigation and regulatory investigations arising in the ordinary course of doing business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Corporation's future consolidated financial position or results of operations.

Health Care Regulatory Environment - The health care industry is subject to numerous and complex laws and regulations of federal, state and local governments. These laws and regulations include, but are not limited to, matters such as licensure, accreditation, privacy, government health care program participation requirements and government reimbursement for patient services, fraud and abuse requirements, and requirements for tax-exempt organizations. Laws and regulations concerning government programs, including Medicare and Medicaid, are subject to varying interpretation. Compliance with such laws and regulations is complex and can be subject to future government review and interpretation as well as significant regulatory enforcement actions, including fines, penalties and potential exclusion from government health care programs such as Medicare and Medicaid. As a result of investigations by governmental agencies, the Corporation and its Health Ministries periodically receive requests for information and notices regarding alleged noncompliance with those laws and regulations, billing, payment or other reimbursement matters initiating investigations, or indicating the existence of whistleblower litigation which, in some instances, have resulted in the Corporation entering into significant settlement agreements. There can be no assurance that regulatory authorities will not challenge the Corporation's compliance with these laws and regulations. In addition, the contracts the Corporation has with commercial payers also provide for retroactive audit and review of claims. The health care industry in general is experiencing an increase in these activities as federal and state governments increase their enforcement activities and institute new programs designed to identify potential irregularities in reimbursement or quality of patient care. Based on the information received to date, management does not believe the ultimate resolution of these matters will have a material adverse effect on the Corporation's future consolidated financial position or results of operations.

10. LIQUIDITY AND FAIR VALUE MEASUREMENTS

Liquidity and Availability – The following financial assets are not subject to donor or other contractual restrictions and are available for expenditure generally within one year of the balance sheet date. Board-designated funds have been established in which the Board has the objective of setting funds aside that can be drawn upon for current needs. Also, as more fully described in Note 6, the Corporation has a commercial paper program authorized for borrowings of up to $600 million and a general purpose credit facility of $200 million, of which both could be drawn upon in the event of an unanticipated liquidity need.

The Corporation monitors liquidity position through days cash on hand, which is defined as total unrestricted cash and investments without donor or contractual restrictions, divided by total operating expenses minus depreciation and amortization, divided by the number of days in the period.

The following table depicts the liquidity position of the Corporation at June 30, 2019, but does not include cash or securities provided to the Corporation as collateral under its securities lending program (in thousands):

Cash and cash equivalents	$	474,314
Investment securities classified as current assets		4,833,039
Board-designated funds		3,648,527
Total unrestricted cash and investments	$	8,955,880
Days cash on hand		181

Approximately 5% of the Board-designated funds include private equity investments that may not be as readily available depending on market conditions.

The Corporation has other assets limited or restricted as to use for donor-restricted purposes, debt service and for future capital improvements. Additionally, certain other Board-designated assets are designated for future capital expenditures and operating reserves. These assets limited to use, which are more fully described in Note 12, are not available for general expenditure within the next year. However, the Board-designated amounts could be made available, if necessary and are thus reflected in the amounts above.

In addition, as of June 30, 2019 the Corporation has a working capital surplus of $4.9 billion.

Fair Value Measurements – The Corporation's consolidated financial statements reflect certain assets and liabilities recorded at fair value. Assets and liabilities measured at fair value on a recurring basis in the Corporation's consolidated balance sheets include cash, cash equivalents, security lending collateral, equity securities, debt securities, mutual funds, commingled funds, hedge funds and derivatives. Defined benefit retirement plan assets are measured at fair value on an annual basis; see Note 8 for further details. Liabilities measured at fair value on a recurring basis for disclosure only include debt.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value should be based on assumptions that market participants would use, including a consideration of nonperformance risk.

To determine fair value, the Corporation uses various valuation methodologies based on market inputs. For many instruments, pricing inputs are readily observable in the market; the valuation methodology is widely accepted by market participants and involves little to no judgment. For other instruments, pricing inputs are less observable in the marketplace. These inputs can be subjective in nature and involve uncertainties and matters of considerable judgment. The use of different assumptions, judgments and/or estimation methodologies may have a material effect on the estimated fair value amounts.

The Corporation assesses the inputs used to measure fair value using a three-level hierarchy based on the extent to which inputs used in measuring fair value are observable in the market. The fair value hierarchy is as follows:

Level 1 – Quoted (unadjusted) prices for identical instruments in active markets

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

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

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

Valuation Methodologies – Exchange-traded securities whose fair value is derived using quoted prices in active markets are classified as Level 1. In instances where quoted market prices are not readily available, fair value is estimated using quoted market prices and/or other market data for the same or comparable instruments and transactions in establishing the prices, discounted cash flow models and other pricing models. These models are primarily industry-standard models that consider various assumptions, including time value and yield curve as well as other relevant economic measures. The inputs to these models depend on the type of security being priced, but are typically benchmark yields, credit spreads, prepayment spreads, reported trades and broker-dealer quotes, all with reasonable levels of transparency. Generally, significant changes in any of those inputs in isolation would result in a significantly different fair value measurement. The Corporation classifies these securities as Level 2 within the fair value hierarchy. The Corporation also has certain investments that are classified as Level 3. These investments are primarily valued using competitive bid evaluations or cost, if it approximates fair value.

The Corporation maintains policies and procedures to value instruments using the best and most relevant data available. The Corporation has not adjusted the prices obtained. Third-party administrators do not provide access to their proprietary valuation models, inputs and assumptions. Accordingly, the Corporation reviews the independent reports of internal controls for these service providers. In addition, on a quarterly basis, the Corporation performs reviews of investment consultant industry peer group benchmarking and supporting relevant market data. Finally, all of the fund managers have an annual independent audit performed by an accredited accounting firm. The Corporation reviews these audited financials for ongoing validation of pricing used. Based on the information available, the Corporation believes that the fair values provided by the third-party administrators and investment fund managers are representative of prices that would be received to sell the assets.

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

Following is a description of the valuation methodologies the Corporation used for instruments recorded at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy:

Cash and Cash Equivalents – The carrying amounts reported in the consolidated balance sheets approximate their fair value. Certain cash and cash equivalents are included in investments and assets limited or restricted as to use in the consolidated balance sheet. Included in this category is commercial paper. The fair value of commercial paper is based on amortized cost. Commercial paper is designated as Level 2 investments with significant observable inputs, including security cost, maturity and credit rating.

Security Lending Collateral – The security lending collateral is invested in a Northern Trust sponsored commingled collateral fund, which is composed primarily of short-term securities. The fair value amounts of the commingled collateral fund are determined using the calculated net asset value per share (or its equivalent) for the fund with the underlying investments valued using techniques similar to those used for instruments noted below.

Equity Securities – Equity securities are valued at the closing price reported on the applicable exchange on which the security is traded or are estimated using quoted market prices for similar securities.

Debt Securities – Debt securities are valued using quoted market prices and/or other market data for the same or comparable instruments and transactions in establishing the prices, discounted cash flow models and other pricing models. These models are primarily industry-standard models that consider various assumptions, including time value and yield curve as well as other relevant economic measures.

Exchange-Traded/Mutual Funds – Exchange-traded funds are valued at the closing price reported on the applicable exchange on which the fund is traded or estimated using quoted market prices for similar securities. Mutual funds are valued using the net asset value based on the value of the underlying assets owned by the fund, minus liabilities, divided by the number of shares outstanding and multiplied by the number of shares owned.

Commingled Funds – Commingled funds are developed for investment by institutional investors only and, therefore, do not require registration with the Securities and Exchange Commission. Commingled funds are recorded at fair value based on net asset value, which is calculated using the most recent fund financial statements.

Hedge Funds – Hedge funds utilize either a direct or a “fund-of-funds” approach resulting in diversified multistrategy, multimanager investments. Underlying investments in these funds may include equity securities, debt securities, commodities, currencies and derivatives. These funds are valued at net asset value, which is calculated using the most recent fund financial statements.

The Corporation classifies its equity and debt securities, mutual funds, commingled funds and hedge funds as trading securities. The amount of holding gains included in the excess of revenue over expenses related to securities still held as of June 30, 2019 and 2018, were $1,013.4 million and $928.7 million, respectively.

Equity Method Investments – Certain other investments are accounted for using the equity method. These investments are structured as limited liability corporations and partnerships and are designed to produce stable investment returns regardless of market activity. These investments utilize a combination of “fund-of-funds” and direct fund investment strategies resulting in a diversified multistrategy, multimanager investment approach. Some of these funds are developed by investment managers specifically for the Corporation’s use and are similar to mutual funds, but are not traded on a public exchange. Underlying investments in these funds may include other funds, equity securities, debt securities, commodities, currencies and derivatives. Audited information is only available annually based on the limited liability corporations, partnerships or funds' year-end. Management's estimates of the fair values of these investments are based on information provided by the third-party administrators and fund managers or the general partners. Management obtains and considers the audited financial statements of these investments when evaluating the overall reasonableness of the recorded value. In addition to a review of external information provided, management's internal procedures include such things as review of returns against benchmarks and discussions with fund managers on performance, changes in personnel or process, along with evaluations of current market conditions for these investments. Because of the inherent uncertainty of valuations, values may differ materially from the values that would have been used had a ready market existed. Unfunded capital commitments related to equity method investments totaled $825.9 million and $599.0 million as of June 30, 2019 and 2018, respectively.

Interest Rate Swaps – The fair value of the Corporation's derivatives, which are mainly interest rate swaps, are estimated utilizing the terms of the swaps and publicly available market yield curves along with the Corporation's nonperformance risk as observed through the credit default swap market and bond market and based on prices for recent trades. These swap agreements are classified as Level 2 within the fair value hierarchy.

The following tables present information about the fair value of the Corporation's financial instruments measured at fair value on a recurring basis and recorded as of June 30, (in thousands):

	2019			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets:				
Cash and cash equivalents	$ 699,225	$ 51,255	$ -	$ 750,480
Security lending collateral	-	264,435	-	264,435
Equity securities	2,851,609	1,414	6,708	2,859,731
Debt securities:				
Government and government agency obligations	-	641,859	107	641,966
Corporate bonds	-	1,008,042	293	1,008,335
Asset backed securities	-	319,678	-	319,678
Bank loans	-	13,462	-	13,462
Other	-	14,353	-	14,353
Exchange traded/mutual funds:				
Equity funds	587,061	-	-	587,061
Fixed income funds	469,638	-	-	469,638
Real estate investment funds	81,615	-	-	81,615
Other	109,129	-	-	109,129
Interest rate swaps	-	6,813	-	6,813
Subtotal	$ 4,798,277	$ 2,321,311	$ 7,108	$ 7,126,696
Equity method investments				1,611,706
Investments measured at net asset value:				
Commingled funds				1,235,860
Hedge funds				691,561
Total assets				$ 10,665,823
Liabilities:				
Interest rate swaps	$ -	$ 168,933	$ -	$ 168,933

The following tables present information about the fair value of the Corporation's financial instruments measured at fair value on a recurring basis and recorded as of June 30, (in thousands):

	2018			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets:				
Cash and cash equivalents	$ 1,625,102	$ 57,831	$ -	$ 1,682,933
Security lending collateral	-	275,228	-	275,228
Equity securities	2,404,812	1,143	6,540	2,412,495
Debt securities:				
Government and government agency obligations	-	695,980	4,180	700,160
Corporate bonds	-	993,772	622	994,394
Asset backed securities	-	294,055	-	294,055
Bank loans	-	35,218	-	35,218
Other	-	11,484	-	11,484
Exchange traded/mutual funds:				
Equity funds	688,434	-	-	688,434
Fixed income funds	95,713	-	-	95,713
Real estate investment funds	37,603	-	-	37,603
Other	92,856	-	-	92,856
Interest rate swaps	-	6,139	-	6,139
Subtotal	$ 4,944,520	$ 2,370,850	$ 11,342	$ 7,326,712
Equity method investments				1,317,827
Investments measured at net asset value:				
Commingled funds				1,296,703
Hedge funds				681,978
Total assets				$ 10,623,220
Liabilities:				
Interest rate swaps	$ -	$ 127,531	$ -	$ 127,531

The following table reconciles the information about the fair value of the Corporation's financial instruments measured at fair value on a recurring basis presented in the table above to amounts presented in the consolidated balance sheets as of June 30 (in thousands):

	2019	2018
Assets:		
Cash and cash equivalents	$ 474,314	$ 971,726
Investments	4,833,039	3,846,190
Security lending collateral	264,435	275,228
Assets limited or restricted as to use - current portion	403,799	352,231
Assets limited or restricted as to use - noncurrent portion:		
Held by trustees under bond indenture agreements	5,828	6,865
Self-insurance, benefit plans and other	867,132	865,949
By Board	3,474,947	3,881,021
By donor	460,836	498,871
Interest rate swaps in other long-term assets	6,813	6,139
Less items not recorded at fair value:		
Total unconditional promises to give, net	(74,392)	(54,427)
Reinsurance recovery receivable	(42,487)	(20,731)
Other, primarily beneficial interests in trusts	(8,441)	(5,842)
Total assets	$ 10,665,823	$ 10,623,220

The following table summarizes the changes in Level 3 assets for the years ended June 30 (in thousands):

	Equity Securities	Government and Government Agency Obligations	Corporate Bonds	Total
Balance at July 1, 2017	$ 5,468	$ 5,310	$ 1,019	$ 11,797
Realized (loss) gain	-	(95)	63	(32)
Unrealized gain	1,072	270	26	1,368
Purchases	-	490	567	1,057
Settlements	-	(1,795)	(1,053)	(2,848)
Balance at June 30, 2018	$ 6,540	$ 4,180	$ 622	$ 11,342
Realized loss	-	-	(29)	(29)
Unrealized loss	-	(8)	(59)	(67)
Purchases	168	-	297	465
Settlements	-	(3,848)	(538)	(4,386)
Transfers to Level 2	-	(217)	-	(217)
Balance at June 30, 2019	$ 6,708	$ 107	$ 293	$ 7,108

Investments in Entities that Calculate Net Asset Value per Share – The Corporation holds shares or interests in investment companies at year-end, included in commingled funds and hedge funds, where the fair value of the investment held is estimated based on the net asset value per share (or its equivalent) of the investment company. There were no unfunded commitments as of June 30, 2019 and 2018. The fair value and redemption rules of these investments are as follows as of June 30 (in thousands):

	2019		
	Fair Value	**Redemption Frequency**	**Redemption Notice Period**
Commingled funds	$ 1,235,860	Daily, monthly, semi-monthly	2 - 15 days
Hedge funds	691,561	Monthly, quarterly, semi-annually	15 - 120 days
Total	$ 1,927,421		

	2018		
	Fair Value	**Redemption Frequency**	**Redemption Notice Period**
Commingled funds	$ 1,296,703	Daily and semi-monthly	2 - 3 days
Hedge funds	681,978	Monthly, quarterly, semi-annually, bi-annually	30 - 95 days
Total	$ 1,978,681		

The hedge fund category includes equity long/short hedge funds, multistrategy hedge funds and relative value hedge funds. Equity long/short hedge funds invest both long and short, primarily in U.S. common stocks. Management of the fund has the ability to shift investments from value to growth strategies, from small to large capitalization stocks and from a net long position to a net short position. Multistrategy hedge funds pursue multiple strategies to diversify risks and reduce volatility. Relative value hedge fund's strategy is to exploit structural and technical inefficiencies in the market by investing in financial instruments that are perceived to be inefficiently priced as a result of business, financial or legal uncertainties. Investments representing approximately 0% and 0.5% of the value of the investments in this category as of June 30, 2019 and 2018, respectively, can only be redeemed bi-annually subsequent to the initial investment date. Investments representing 68.5% and 59.2% of the investments in this category as of June 30, 2019 and 2018, respectively, can only be redeemed at the rate of 25% per quarter.

The commingled fund category primarily includes investments in funds that invest in financial instruments of U.S. and non-U.S. entities, primarily bonds, notes, bills, debentures, currencies and interest rate and derivative products.

The composition of investment returns included in the consolidated statements of operations and changes in net assets for the years ended June 30 is as follows (in thousands):

	2019	2018
Dividend, interest income and other	$ 177,085	$ 163,389
Realized gain, net	176,969	266,841
Realized equity earnings, other investments	38,450	48,414
Change in net unrealized gain on investments	123,793	95,867
Total investment return	$ 516,297	$ 574,511
Included in:		
Operating income	$ 89,920	$ 66,163
Nonoperating items	421,163	488,715
Changes in net assets with donor restrictions	5,214	19,633
Total investment return	$ 516,297	$ 574,511

In addition to investments, assets restricted as to use include receivables for unconditional promises to give cash and other assets, net of allowances for uncollectible promises to give. Unconditional promises to give consist of the following as of June 30 (in thousands):

	2019	2018
Amounts expected to be collected in:		
Less than one year	$ 48,501	$ 25,343
One to five years	29,891	31,978
More than five years	4,933	4,491
	83,325	61,812
Discount to present value of future cash flows	(5,104)	(3,789)
Allowance for uncollectible amounts	(3,828)	(3,596)
Total unconditional promises to give, net	$ 74,393	$ 54,427

Patient Accounts Receivable, Estimated Receivables from Third-Party Payers and Current Liabilities – The carrying amounts reported in the consolidated balance sheets approximate their fair value.

Long-Term Debt – The carrying amounts of the Corporation's variable-rate debt approximate their fair values. The fair value of the Corporation's fixed-rate debt is estimated using discounted cash flow analyses, based on current incremental borrowing rates for similar types of borrowing arrangements. Under the fair value hierarchy, these financial instruments are valued primarily using Level 2 inputs. The fair value of the tax-exempt fixed-rate long-term revenue and refunding bonds was $4,931 million and $4,674 million as of June 30, 2019 and 2018, respectively. The related carrying value of the tax-exempt fixed-rate long-term revenue and refunding bonds was $4,389 million and $4,289 million as of June 30, 2019 and 2018, respectively. The fair value of the taxable fixed-rate long-term revenue bonds was $520 million and $471 million as of June 30, 2019 and 2018, respectively. The related carrying value of the taxable fixed-rate long-term revenue bonds was $482 million as of June 30, 2019 and 2018. The fair values of the remaining fixed-rate capital leases, notes payable to banks and mortgage loans are not materially different from their carrying values.

11. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative Financial Instruments – In the normal course of business, the Corporation is exposed to market risks, including the effect of changes in interest rates and equity market volatility. To manage these risks, the Corporation enters into various derivative contracts, primarily interest rate swaps. Interest rate swaps are used to manage the effect of interest rate fluctuations.

Management reviews the Corporation's hedging program, derivative position and overall risk management on a regular basis. The Corporation only enters into transactions it believes will be highly effective at offsetting the underlying risk.

Interest Rate Swaps – The Corporation utilizes interest rate swaps to manage interest rate risk related to the Corporation's variable interest rate debt. Cash payments on interest rate swaps totaled $13.3 million and $16.3 million for the years ended June 30, 2019 and 2018, respectively, and are included in nonoperating income.

Certain of the Corporation's interest rate swaps contain provisions that give certain counterparties the right to terminate the interest rate swap if a rating is downgraded below specified thresholds. If a ratings downgrade threshold is breached, the counterparties to the derivative instruments could demand immediate termination of the swaps. Such termination could result in a payment from the Corporation or a payment to the Corporation depending on the market value of the interest rate swap.

Effect of Derivative Instruments on Excess of Revenue over Expenses – The Corporation has interest rate swaps not designated as hedging instruments which are included in the excess of revenue over expenses in the statement of operations. Net (losses) gains included in the change in market value and cash payments of interest rate swaps totaled ($54.2) million and $25.7 million for the years ended June 30, 2019 and 2018, respectively.

Balance Sheet Effect of Derivative Instruments – The following table summarizes the estimated fair value of the Corporation's derivative financial instruments as of June 30 (in thousands):

Derivatives Not Designated as Hedging Instruments	Consolidated Balance Sheet Location	Fair Value 2019	Fair Value 2018
Asset Derivatives:			
Interest rate swaps	Other long-term assets	$ 6,813	$ 6,139
Liability Derivatives:			
Interest rate swaps	Other long-term liabilities	$ 168,933	$ 127,531

The counterparties to the interest rate swaps expose the Corporation to credit loss in the event of nonperformance. As of June 30, 2019 and 2018, an adjustment for nonperformance risk reduced derivative assets by $0.1 million and $0.2 million and derivative liabilities by $5.2 million and $6.4 million, respectively.

12. NET ASSETS WITHOUT DONOR RESTRICTIONS AND WITH DONOR RESTRICTIONS

Net assets with donor restrictions are those whose use by the Corporation has been limited by donors to a specific program or time period. In addition, certain restricted assets have been restricted by donors to be maintained by the Corporation in perpetuity. Net assets with donor restrictions as of June 30 are restricted for the following programs or periods (in thousands):

	2019	2018
Subject to expenditure for specified program		
Education and research	$ 40,424	$ 28,489
Building and equipment	98,797	110,920
Patient care	42,121	60,789
Cancer center/research	26,290	28,233
Services for elderly care	36,566	36,013
Other	90,630	102,730
Total subject to expenditure for specified program	334,828	367,174
Subject to the passage of time		
For periods after June 30	23,958	21,450
Total subject to expenditure for specified program and passage of time	$ 358,786	$ 388,624
Subject to organization spending policy and appropriation		
Investment in perpetuity, which, once appropriated, is expendable to support:		
Hospital operations	108,763	108,078
Medical programs	12,377	9,947
Scholarship funds	8,819	7,032
Research funds	11,684	12,579
Community service funds	14,221	17,160
Other	38,039	42,686
Total subject to organization spending policy and appropriation	193,903	197,482
Total net assets with donor restrictions	$ 552,689	$ 586,106

The Corporation's endowments consist of funds established for a variety of purposes. Endowments include both donor-restricted endowment funds and funds designated by the Board to function as endowments. Net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Corporation considers various factors in making a determination to appropriate or accumulate donor-restricted endowment funds.

The Corporation employs a total return investment approach whereby a mix of equities and fixed-income investments are used to maximize the long-term return of endowment funds for a prudent level of risk. The Corporation targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints. The Corporation can appropriate each year all available earnings in accordance with donor restrictions. The endowment corpus is to be maintained in perpetuity. Certain donor-restricted endowments require a portion of annual earnings to be maintained in perpetuity along with the corpus. Only amounts exceeding the amounts required to be maintained in perpetuity are expended.

The changes in endowment net assets and composition by type of fund for the years ended June 30 are as follows (in thousands):

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Endowment net assets, July 1, 2017	$ 74,100	$ 247,384	$ 321,484
Investment return:			
Investment income	2,056	5,349	7,405
Change in net realized and unrealized gains	3,512	7,159	10,671
Total investment return	5,568	12,508	18,076
Contributions	249	7,499	7,748
Appropriation of endowment assets for expenditures	(4,508)	(1,504)	(6,012)
Other	12,181	(12,726)	(545)
Endowment net assets, June 30, 2018	87,590	253,161	340,751
Investment return:			
Investment income	2,225	8,524	10,749
Change in net realized and unrealized gains (losses)	2,800	(5,166)	(2,366)
Total investment return	5,025	3,358	8,383
Contributions	957	6,142	7,099
Appropriation of endowment assets for expenditures	(3,648)	(2,666)	(6,314)
Other	3,861	(15,915)	(12,054)
Endowment net assets, June 30, 2019	$ 93,785	$ 244,080	$ 337,865

The table below describes the restrictions for endowment amounts classified as net assets with donor restrictions as of June 30 (in thousands):

	2019	2018
Net assets with donor restrictions:		
Endowments requiring income to be added to the original gift	$ 6,483	$ 6,019
Term endowment funds	4,677	5,245
Accumulated investment gains on endowment funds:		
Without purpose restrictions	150,111	149,770
With purpose restrictions	82,809	92,127
Total endowment funds classified as net assets with donor restrictions	$ 244,080	$ 253,161

Underwater Endowments – Periodically, the fair value of assets associated with the individual donor-restricted endowment funds may fall below the level that the donor or the Uniform Prudent Management of Institutional Funds Act (UPMIFA) requires the Corporation to retain as a fund of perpetual duration. Deficiencies of this nature exist did not exist for the years ended June 30, 2019 and 2018. The Corporation has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations. However, the Corporation's policy for all endowments is the investment returns released into income during the year may not exceed 5% of the total investment pool balance. This policy also applies to underwater endowments.

Governing Board Designations – At times, the Corporation's governing Board may make designations or appropriations that result in self-imposed limits on the use of resources without donor restrictions, known as Board-designated net assets. The Corporation's governing Board has designated, from net assets without donor restrictions amounts for the following purposes as of June 30 (in thousands):

	2019	2018
Quasi-endowment funds	$ 93,785	$ 87,590
Future capital improvements	1,098,835	1,426,196
System development fund	865,983	1,088,784
Insurance and retirement programs	666,662	608,123
Retirement of debt/intercompany loan program	542,427	461,538
Program/mission	265,051	284,915
Liquidity reserve	23,555	18,751
Other	92,222	68,515
Total governing Board designations	3,648,520	4,044,412
Less current portion	(173,573)	(163,391)
Total governing Board designations, net of current portion	$ 3,474,947	$ 3,881,021

13. RESTRUCTURING CHARGES

During the year ended June 30, 2019, management authorized a plan to consolidate and restructure staffing, primarily related to revenue cycle billing services, voluntary severance programs and certain information systems colleagues. In addition, certain sites undertook early lease terminations. As a result of these actions, restructuring charges of $82.4 million for the year ended June 30, 2019 were recorded in the consolidated statement of operations and changes in net assets. The restructuring charges are primarily for severance, termination benefits and early lease termination costs. As of June 30, 2019, $26.3 million has been paid.

14. SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 18, 2019, the date the consolidated financial statements were issued. The following subsequent events were noted:

Liquidity Facilities – On August 30, 2019, the Corporation extended the maturity dates of the single Credit Agreement with a total commitment amount of $900 million. The amount is divided equally among three tranches ($300 million each), with maturity dates of August 2021, August 2022 and August 2023. In addition, on August 30, 2019, the Corporation renewed a general purpose credit facility of $200 million and was extended to August 2022.

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PART II – CONSOLIDATED SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND REPORTS ON INTERNAL CONTROL AND COMPLIANCE

TRINITY HEALTH

CONSOLIDATED SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Regional Health Ministry	Program Title	Federal CFDA Number	Pass-through Agency	Grantor Agency or Pass-through Identification Number	Expenditures	Expenditures Passed-through to sub-recipients
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (RESEARCH)						
Research and Development Cluster:						
Saint Joseph Mercy Health System, Michigan Heart, Ann Arbor	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	Mayo Clinic Jacksonville	1U01NS080168-01A1	$ 9,320	$ -
Saint Joseph Mercy Health System, Michigan Heart, Ann Arbor	Blood Diseases and Resources Research	93.839	Rutgers	5U01HL133817-02	20,000	
Saint Joseph Mercy Health System, Michigan Heart, Ann Arbor	Cardiovascular Diseases Research	93.837	New England Research Institutes, Inc	1U01HL107407-01A1	26,725	
Saint Joseph Mercy Health System, Michigan Heart, Ann Arbor	Cardiovascular Diseases Research	93.837	New York University	1U01HL105907	6,267	
Saint Joseph Mercy Health System, Michigan Heart, Ann Arbor	Cardiovascular Diseases Research	93.837	Duke University	1U01HL125511-01A1	8,500	
Saint Joseph Mercy Health System, Michigan Heart, Ann Arbor	Cardiovascular Diseases Research	93.837	Mount Sinai Medical Center of Florida (MSMC)	5UH3AT009149-04	3,000	
Saint Joseph Mercy Health System, Michigan Heart, Ann Arbor	Cardiovascular Diseases Research	93.837	Regents of the University of Minnesota	5U01HL133818-03	5,000	
Mount Carmel Health System, Columbus	Cardiovascular Diseases Research	93.837	Brigham and Women's Hosptial, Inc.	5U01HL101422	10,100	
Saint Joseph Mercy Health System, Ann Arbor	Cancer Control	93.399			21,775	11,160
Saint Joseph Mercy Health System, Ann Arbor	Cancer Treatment Research	93.395			2,597,131	503,450
Mercy Medical Center - North Iowa, Mason City	Cancer Cause and Prevention Research	93.393	Iowa Oncology Research Association	1UGICA189816-01	9,393	
Saint Joseph Mercy Health System, Ann Arbor	Mental Health Research Grants	93.242	University of North Carolina at Chapel Hill	5U01MH110925-03	39,252	
Saint Joseph Mercy Health System, Ann Arbor	Research Related to Deafness and Communciation Disorders	93.173	The Regents of the University of Michigan	5U01DC01377804	31,518	
Saint Joseph Mercy Health System, Ann Arbor	Prevention of Disease, Disability, and Death through Immunization	93.083	Regents of the University of Michigan	5U01IP000974-04-00	65,608	-
	Total U.S. Department of Health and Human Services Research and Development Cluster				**2,853,589**	**514,610**
U.S DEPARTMENT OF HOMELAND SECURITY						
Bethlehem Haven of Pittsburgh	Emergency Food and Shelter National Board Program	97.024	United Way	United Way Phase 35/36	45,800	
	Total U.S Department of Homeland Security				**45,800**	-
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (NON-RESEARCH)						
Loyola University Health System, Chicago	Maternal and Child Health Services Block Grant to the States	93.994	Illinois Department of Public Health	863800003F	188,087	
St. Joseph Mercy Oakland, Pontiac	Maternal and Child Health Services Block Grant to the States	93.994	State of Michigan	B1MIMCHS (15)	9,493	
Mercy Life Counseling, Muskegon	Block Grants for Prevention and Treatment of Substance Abuse	93.959	HealthWest	N/A	103,133	
Mercy Life Center Corporation, Pittsburgh	Block Grants for Prevention and Treatment of Substance Abuse	93.959	Allegheny County Department of Human Services	220591	405,955	

(Continued)

TRINITY HEALTH

CONSOLIDATED SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Regional Health Ministry	Program Title	Federal CFDA Number	Pass-through Agency	Grantor Agency or Pass-through Identification Number	Expenditures	Expenditures Passed-through to sub-recipients
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (NON-RESEARCH)						
Muskegon Community Health Project, Muskegon	Block Grants for Prevention and Treatment of Substance Abuse	93.959	Lakeshore Regional Entity	2B08T1010026-19	$ 43,197	$ -
St. Peter's Hospital, Albany	Block Grants for Prevention and Treatment of Substance Abuse	93.959	NYS Office of Alcoholism & Substance Abuse Services DMH	3334	262,128	
Mercy Health Partners Hackley Campus, McClees Clinic, Muskegon	HIV Prevention Activities Health Department Based	93.940	Michigan Department of Health and Human Services	E20180143-00	70,114	
Saint Mary's Health Care, Grand Rapids	Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918			489,575	
St. Francis Medical Center, Trenton	Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918			173,300	
St. Francis Medical Center, Trenton	Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918			166,109	
Saint Mary's Health Care, Grand Rapids	HIV Care Formula Grants	93.917	Michigan Department of Community Health	20161547-001	403,944	
Mercy Health Partners Hackley Campus, McClees Clinic, Muskegon	HIV Care Formula Grants	93.917	Michigan Department of Health and Human Services	E20180153-00	509,185	
Loyola University Health System, Chicago	HIV Emergency Relief Project Grants	93.914	The City of Chicago Department of Public Health	72960-2	28,857	
Loyola University Health System, Chicago	HIV Emergency Relief Project Grants	93.914	The City of Chicago Department of Public Health	33739-3	217,243	
Oakland Mercy Hospital, Sioux City	Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement	93.912			34,832	20,541
St. Peter's Hospital Foundation, Albany	Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898	Health Research, Inc.	4707-05	4,900	
Mercy Life Center Corporation, Pittsburgh	Section 223 Demonstration Programs to Improve Community Mental Health Services	93.829			325,702	
Holy Cross Hospital, Silver Spring	Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	93.817	Maryland Department of Health & Mental Hygiene	N/A	61,740	
Saint Alphonsus Regional Medical Center, Boise	Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	93.817	State of Idaho Department of Health and Welfare	HC979900	19,838	
Mercy Life Center Corporation, Pittsburgh	Opioid STR	93.788	Allegheny County Department of Human Services	220591	38,452	
Capital Region Geriatric Center, Albany	Alzheimer's Disease Initiative: Specialized Supportive Services Project (ADI-SSS) thru Prevention and Public Health Funds (PPHF)	93.763			389,702	
Mercy Life Center Corporation, Pittsburgh	Social Service Block Grant	93.667	Allegheny County Department of Human Services	220591	241,714	
St. Joseph's Hospital Health Center, Syracuse	Accountable Health Communities	93.650			436,379	
Mercy Medical Center, Sioux City	Children's Justice Grants to States	93.643	Iowa Department of Human Services	ACFS 16-239	3,419	
Muskegon Community Health Project, Muskegon	ACA - State Innovation Models: Funding for Model Design and Model Testing Assistance	93.624	Michigan Department of Health and Human Services	E20192880-002	1,217,377	

(Continued)

Regional Health Ministry	Program Title	Federal CFDA Number	Pass-through Agency	Grantor Agency or Pass-through Identification Number	Expenditures	Expenditures Passed-through to sub-recipients
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (NON-RESEARCH)						
Saint Alphonsus Regional Medical Center, Boise	Assistance for Torture Victims	93.604	Department of Health and Human Services	90ZT0144-02-03	$ 116,210	$ -
St. Peter's Hospital, Albany	Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	NYS Department of Health	C029894	37,790	
St. Joseph's Hospital Health Center, Syracuse	Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	NYS Department of Health	C030299	42,244	
St Mary's Sacred Heart Hospital, Athens	Small Rural Hospital Improvement Grant Program	93.301	GADCH	19020G	4,500	
St Mary's Good Samaritan Hospital, Athens	Small Rural Hospital Improvement Grant Program	93.301	GADCH	19020G	10,170	
Mercy Medical Center, New Hampton	Small Rural Hospital Improvement Grant Program	93.301	HomeTown Health, LLC	5888SH01	8,678	
Saint Joseph Mercy Health System, Chelsea	Drug-Free Communities Support Program Grants	93.276			137,336	
Saint Joseph Mercy Health System, Chelsea	Drug-Free Communities Support Program Grants	93.276	Stockbridge Community Schools	1H79SP020326	121,084	
Saint Joseph Mercy Health System, Chelsea	Drug-Free Communities Support Program Grants	93.276	Dexter Community Schools	1H79SP020328	136,453	
Saint Joseph Mercy Health System, Chelsea	Drug-Free Communities Support Program Grants	93.276	Manchester Community Schools	1H79SP080726	52,522	
Trinity Health, Livonia	Scaling the National Diabetes Prevention Program to Priority Populations	93.261			1,377,595	
Muskegon Community Health Project, Muskegon	Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	Lakeshore Regional Entity	5U79SP020797-04	106,833	
Mercy Life Center Corporation, Pittsburgh	Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	Allegheny County Department of Human Services	220591	135,358	
Mercy Life Center Corporation, Pittsburgh	Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243			138,121	
Samaritan Hospital, Albany	Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	Mental Health Association in New York State	N/A	70,000	
Mercy Medical Center, Dubuque	Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243			77,636	
Mercy Medical Center, Dubuque	Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	Iowa Department of Public Health	5888SA13	74,355	
Saint Mary's Health Care, Grand Rapids	Coordinated Services and Access to Research for Women, Infants, Children and Youth	93.153	Michigan Department of Community Health	20161548-001	73,544	
Mercy Life Center Corporation, Pittsburgh	Projects for Assistance in Transition from Homelessness (PATH)	93.150	Allegheny County Department of Human Services	220591	400,740	
Baum Harmon Mercy Hospital, Primghar	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	Obrien County Board of Health	5887BT76 / 5886BT76	5,916	
Mercy Medical Center, Dyersville	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	Linn Couty Board of Heatlh	5888BT05	7,478	
Mercy Medical Center, Dubuque	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	Linn Couty Board of Heatlh	5888BT05	11,928	

(Continued)

Regional Health Ministry	Program Title	Federal CFDA Number	Pass-through Agency	Grantor Agency or Pass-through Identification Number	Expenditures	Expenditures Passed-through to sub-recipients
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (NON-RESEARCH)						
Mercy Medical Center, Clinton	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	Clinton County Board of Health for Gateway Area Healthcare Coalition	5888BT03	$ 7,993	$ -
Loyola University Health System, Chicago	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	Illinois Department of Public Health	87281133F	80,070	
Loyola University Health System, Chicago	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	Illinois Department of Public Health	9728000BG	280,983	
Mercy Medical Center, Sioux City	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	Woodbury Coalition	5887BT63 / 5886BT63	6,380	
Mercy Medical Center, New Hampton	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	Chickasaw County Public Health	N/A	4,944	
Mercy Medical Center - North Iowa, Mason City	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	Cerro Gordo County Public Health	5887BT64	3,081	
Mount Carmel Health System, Columbus	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	Central Ohio Trauma System	02560112RP0512	15,091	
St. Peter's Hospital, Albany	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	Health Research, Inc.	5722-02	40,000	
Samaritan Hospital, Albany	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	Health Research, Inc.	5715-02	40,000	
Seton Health System, Albany	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	Health Research, Inc.	5676-02	17,500	
Albany Memorial Hospital, Albany	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	Health Research, Inc.	5713-02	39,500	
Holy Cross Germantown Hospital, Germantown	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	Maryland Department of Health & Mental Hygiene	N/A	11,862	
Holy Cross Hospital, Silver Spring	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	Maryland Department of Health & Mental Hygiene	N/A	13,530	
Holy Cross Germantown Hospital, Germantown	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	Maryland Department of Health & Mental Hygiene	N/A	13,530	
Holy Cross Hospital, Silver Spring	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	Maryland Department of Health & Mental Hygiene	N/A	4,607	
	Subtotal U. S. Department of Health and Human Services (Non-research)				**9,569,937**	**20,541**

(Continued)

Regional Health Ministry	Program Title	Federal CFDA Number	Pass-through Agency	Grantor Agency or Pass-through Identification Number	Expenditures	Expenditures Passed-through to sub-recipients
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (NON-RESEARCH)						
Medicaid Cluster:						
Mercy Life Counseling, Muskegon	Medical Assistance Program	93.778	HealthWest	N/A	$ 193,840	$ -
Sunnyview Rehabilitation Hospital, Albany	Medical Assistance Program	93.778	NYS Department of Health, Office of Health Insurance Programs	C026006	120,481	
	Total Medicaid Cluster				**314,321**	-
CCDF Cluster:						
Saint Alphonsus Regional Medical Center, Boise	Child Care and Development Block Grant	93.575	Department of Health and Human Services	EDK057-SB-002	1,600	
	Total CCDF Cluster				**1,600**	-
Health Center Program Cluster:						
Saint Mary's Health Care, Grand Rapids	Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224			1,600,992	
	Total Health Center Program Cluster				**1,600,992**	-
	Total U. S. Department of Health and Human Services (Non-research)				**11,486,850**	**20,541**
U.S. DEPARTMENT OF EDUCATION						
Student Financial Assistance Cluster Programs:						
Mount Carmel College of Nursing, Columbus	Nursing Student Loans	93.364			36,434	
Mount Carmel College of Nursing, Columbus	Federal Direct Student Loans	84.268			7,535,404	
Samaritan Hospital, Albany	Federal Direct Student Loans	84.268			326,383	
Samaritan Hospital, Albany	Federal Direct Student Loans	84.268			584,321	
Samaritan Hospital, Albany	Federal Direct Student Loans	84.268			13,789	
Albany Memorial Hospital, Albany	Federal Direct Student Loans	84.268			261,666	
Albany Memorial Hospital, Albany	Federal Direct Student Loans	84.268			310,013	
Albany Memorial Hospital, Albany	Federal Direct Student Loans	84.268			11,491	
St. Joseph's Hospital Health Center, Syracuse	Federal Direct Student Loans	84.268			1,849,093	
Mount Carmel College of Nursing, Columbus	Federal Pell Grant Program	84.063			1,143,791	
St. Francis Medical Center, Trenton	Federal Pell Grant Program	84.063			25,201	
St. Joseph's Hospital Health Center, Syracuse	Federal Pell Grant Program	84.063			384,540	
Samaritan Hospital, Albany	Federal Pell Grant Program	84.063			182,574	
Albany Memorial Hospital, Albany	Federal Pell Grant Program	84.063			135,714	
Mount Carmel College of Nursing, Columbus	Federal Supplemental Educational Opportunity Grants	84.007			35,293	
	Total Student Financial Assitance Cluster Programs				**12,835,707**	-
	Total U. S. Department of Education				**12,835,707**	-

(Continued)

Regional Health Ministry	Program Title	Federal CFDA Number	Pass-through Agency	Grantor Agency or Pass-through Identification Number	Expenditures	Expenditures Passed-through to sub-recipients
U.S. DEPARTMENT OF TRANSPORTATION						
Highway Safety Cluster:						
Northeast Health Foundation, Albany	National Priority Safety Programs	20.616	NYS Governor's Traffice Safety Committee	CPS-2019-Northeast Health-0056-(42)	$ 907	$ -
	Total Highway Safety Cluster				**907**	-
	Total U.S. Department of Transportation				**907**	-
U.S. DEPARTMENT OF LABOR						
Saint Alphonsus Regional Medical Center, Boise	Registered Apprenticeship	17.201	Idaho Department of Labor	AP-30095-16-60-A-16	20,000	
	Subtotal U.S Department of Labor				20,000	-
Workforce Innovation and Opportunity Act (WIOA) Cluster:						
Northeast Health Foundation, Albany	WIOA Dislocated Worker Formula Grants	17.278	NYS Department of Labor	C17187GG	47,300	
	Total WIOA Cluster				**47,300**	-
	Total U.S Department of Labor				**67,300**	-
U.S. DEPARTMENT OF JUSTICE						
Mercy Medical Center, Clinton	Comprehensive Opioid Abuse Site-Based Program	16.838	City of Clinton	2018-AR-BX-K111	33,232	
Mercy Life Center Corporation, Pittsburgh	Children of Incarcerated Parents	16.831	Allegheny County Department of Human Services	220591	44,172	
Northeast Health Foundation, Albany	Transitional Housing Assistance for Victims of Domestic Violence, Dating Violence, Stalking, or Sexual Assault	16.736	Unity House of Troy, Inc.	UH374-SACVAP	8,376	
Mount Carmel Health System Foundation, Columbus	Violence Against Women Formula Grants	16.588	Ohio Office of Criminal Justice Services	17 & 18-WF-VA5-V521	41,446	
Northeast Health Foundation, Albany	Violence Against Women Formula Grants	16.588	NYS Division of Criminal Justice Services	C652097	33,496	
Northeast Health Foundation, Albany	Violence Against Women Formula Grants	16.588	NYS Division of Criminal Justice Services	C652102	35,257	
Northeast Health Foundation, Albany	Violence Against Women Formula Grants	16.588	NYS Division of Criminal Justice Services	C652112	31,424	
Mount Carmel Health System Foundation, Columbus	Crime Victim Assistance	16.575	Office for Victims of Crime	2018-VOCA-109853605/2019-VOCA-132177197 (SANE); 2018-VOCA-109853600/2019-VOCA-132158175 (CTAP); 2018-VOCA-109853615/2019-VOCA-132177202 (FORENSIC)	582,796	
Mount Carmel Health System Foundation, Columbus	Crime Victim Assistance	16.575	The Ohio State University	2018-VOCA-109310444	46,467	
Northeast Health Foundation, Albany	Crime Victim Assistance	16.575	NYS Office of Victim Services	C100363	540,265	
Northeast Health Foundation, Albany	Crime Victim Assistance	16.575	NYS Office of Victim Services	C10743GG	84,981	

(Continued)

Regional Health Ministry	Program Title	Federal CFDA Number	Pass-through Agency	Grantor Agency or Pass-through Identification Number	Expenditures	Expenditures Passed-through to sub-recipients
U.S. DEPARTMENT OF JUSTICE						
St Peter's Hospital Foundation, Albany	Crime Victim Assistance	16.575	NYS Office of Victim Services	C10795GG	$ 361,012	$ -
St Peter's Hospital Foundation, Albany	Crime Victim Assistance	16.575	NYS Office of Victim Services	C10821GG	59,930	
Mercy Medical Center, Sioux City	Crime Victim Assistance	16.575	Iowa Department of Justice - Crime Victim Assistance Division	NI-17-127-ME	36,714	
Northeast Health Foundation, Albany	Education, Training, and Enhanced Services to End Violence Against and Abuse of Women with Disabilities	16.529	Unity House of Troy, Inc.	UH382-SACVAP	15,449	
Northeast Health Foundation, Albany	Legal Assistance for Victims	16.524	Unity House of Troy, Inc.	UH377-SACVAP	32,410	
Mount Carmel Health System, Columbus	Services for Trafficking Victims	16.320	The Salvation Army	2015-VT-BX-K033/2018-VT-BX-K025	23,496	
	Total U.S. Department of Justice				**2,010,923**	**-**
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT						
Mercy Life Center Corporation, Pittsburgh	Continuum of Care Program	14.267	Allegheny County Department of Human Services	PA0841L3E001600/PA0841L3E001701	578,883	
Mercy Life Center Corporation, Pittsburgh	Continuum of Care Program	14.267	Allegheny County Department of Human Services	PA0399L3E001608/PA0399L3E001709	186,109	
Mercy Life Center Corporation, Pittsburgh	Continuum of Care Program	14.267	Allegheny County Department of Human Services	PA0558L3E001707/PA0558L3E001808	467,172	
Mercy Life Center Corporation, Pittsburgh	Continuum of Care Program	14.267	Allegheny County Department of Human Services	PA0680L3E001502 /PA0680L3E001603	164,270	
Mercy Life Center Corporation, Pittsburgh	Continuum of Care Program	14.267	Allegheny County Department of Human Services	PA0596B3E001604 /PA0596B3E001705	79,064	
Mercy Life Center Corporation, Pittsburgh	Continuum of Care Program	14.267	Allegheny County Department of Human Services	PA0744L3E001601/PA0744L3E001702	155,530	
Mercy Life Center Corporation, Pittsburgh	Continuum of Care Program	14.267	Allegheny County Department of Human Services	PA0748L3E001601/PA0748L3E001702	169,208	
Mercy Life Center Corporation, Pittsburgh	Continuum of Care Program	14.267	Allegheny County Department of Human Services	PA0715L3E001602/PA0715L3E001703	172,787	
Mercy Life Center Corporation, Pittsburgh	Continuum of Care Program	14.267	Allegheny County Department of Human Services	PA0829L3E001701/PA0829L3E001802	473,830	227,825
Mercy Life Center Corporation, Pittsburgh	Continuum of Care Program	14.267	Allegheny County Department of Human Services	PA0830L3E001600/PA0830L3E001701	213,871	213,871
Bethlehem Haven of Pittsburgh, Pittsburgh	Continuum of Care Program	14.267	Allegheny County Department of Human Services	PA0896L3E001700	108,636	
Bethlehem Haven of Pittsburgh, Pittsburgh	Continuum of Care Program	14.267	Allegheny County Department of Human Services	PA0743L3E001601 /PA0743L3E0016702	253,968	
Muskegon Community Health Project, Muskegon	Continuum of Care Program	14.267	U.S.Department of Housing and Urban Development	M0590L5161700	17,732	
St. Peter's Hospital, Albany	Continuum of Care Program	14.267			209,803	
Mercy Health Partners Hackley Campus, McClees Clinic, Muskegon	Housing Opportunities for Persons with AIDS	14.241	Michigan Department of Health and Human Services	E20180184-00	113,435	
Bethlehem Haven of Pittsburgh, Pittsburgh	Emergency Solutions Grant Program	14.231	City of Pittsburgh	7/1/18-6/30/19	140,000	
	Subtotal U. S. Department of Housing and Urban Development				**3,504,298**	**441,696**

(Continued)

TRINITY HEALTH

CONSOLIDATED SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Regional Health Ministry	Program Title	Federal CFDA Number	Pass-through Agency	Grantor Agency or Pass-through Identification Number	Expenditures	Expenditures Passed-through to sub-recipients
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT						
CDBG Entitlement Grants Cluster:						
St. Peter's Hospital, Albany	Community Development Block Grants/Entitlement Grants	14.218	Albany County DSS	67915	$ 241,599	$ -
St. Peter's Hospital, Albany	Community Development Block Grants/Entitlement Grants	14.218	Albany Community Development Agency	ESG43	32,340	
Saint Alphonsus Medical Center, Nampa	Community Development Block Grants/Entitlement Grants	14.218	City of Nampa	826000231	19,351	
	Total CDBG Entitlement Grants Cluster				**293,290**	**-**
	Total U. S. Department of Housing and Urban Development				**3,797,588**	**441,696**
U.S. DEPARTMENT OF AGRICULTURE						
Mercy Medical Center, New Hampton	Rural Economic Development Loans and Grants	10.854	New Hampton Municipal Light Plant	N/A	360,000	
St. Peter's Hospital, Albany	Child and Adult Care Food Program	10.558	NYS Department of Health	2320	24,107	
Samaritan Child Care Center, Albany	Child and Adult Care Food Program	10.558	NYS Department of Health	2205	18,553	
Saint Mary's Health Care, Grand Rapids	WIC Special Supplemental Nutrition Program for Women, Infants,	10.557	Kent County Department of Community	XX4W1006	43,296	
	Subtotal U.S Department of Agriculture				**445,956**	**-**
SNAP Cluster:						
Muskegon Community Health Project, Muskegon	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	Michigan Department of Health and Human Services	ADMIN-16-99020	41,532	
	Total SNAP Cluster				**41,532**	**-**
	Total U.S. Department of Agriculture				**487,488**	**-**
	TOTAL FEDERAL AWARDS				**$ 33,586,152**	**$ 976,847**

(Concluded)

TRINITY HEALTH

NOTES TO THE CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2019

1. BASIS OF ACCOUNTING

The accompanying Consolidated Supplemental Schedule of Expenditures of Federal Awards (the "Schedule" or "SEFA") includes the federal grant activity of Trinity Health under programs of the federal government for the year ended June 30, 2019. The information in the Schedule is presented in accordance with the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance").

The Schedule is presented using the accrual basis of accounting. Under this method, certain revenues are recognized when earned rather than when received and certain obligations are recognized when incurred rather than when they are paid.

The accompanying SEFA includes the transactions of all federal awards of Trinity Health, except as described in Note 2. Federal awards received directly from federal agencies, as well as federal awards passed through other agencies, are included in the Schedule.

Indirect Costs – The Corporation does not elect to use the de minimis indirect cost rate allowed under the Uniform Guidance. All rates used by the Corporation were approved by the awarding grant agencies.

2. EXPENDITURES AND OTHER REPORTING

The Corporation's consolidated financial statements include, for the fiscal year ended June 30, 2019, the operations of Saint Joseph's Tower, Inc. ("Tower"), a subsidiary of Trinity Continuing Care Services. The Tower reported total expenditures of federal awards of $3,762,940 for the year ended June 30, 2019. Included in these total expenditures is $3,177,520, which represents the outstanding mortgage balances insured under the Federal Housing Administration's ("FHA") Section 202 Supportive Housing for the Elderly. In addition, the Tower received $585,420 of its revenues in the year ended June 30, 2019 from the U.S. Department of Housing and Urban Development under the terms of the Housing Assistance Payment contracts. The accompanying consolidated SEFA does not include the federal awards activity of the Tower because the federal expenditures were included in a separate audit report in accordance with the Uniform Guidance.

The Corporation's consolidated financial statements include the operations of Mercy Health System of Chicago and Subsidiaries ("MHSC") for the year ended June 30, 2019. MHSC reported total expenditures of federal awards of $51,767,563 for the year ended June 30, 2019. Included in these total expenditures is $50,792,794, which represents the outstanding mortgage balances insured under the FHA Section 242 Hospital Mortgage Insurance Program. The accompanying consolidated SEFA does not include the federal awards activity of MHSC because the federal expenditures were included in a separate audit report in accordance with the Uniform Guidance.

The Corporation's consolidated financial statements include the operations of Saint Joseph's Mercy Care Services, Inc. ("SJMCS") for the year ended June 30, 2019. SJMCS reported total expenditures of federal awards of $8,430,747 for the year ended June 30, 2019. The accompanying SEFA does not include the federal award activity of SJMCS because the federal expenditures were included in a separate audit report in accordance with the Uniform Guidance.

The Corporation's consolidated financial statements include the operations of Trinity Health - New England, Inc. ("New England") for the year ended June 30, 2019. New England reported total expenditures of federal awards of $2,227,851 for the year ended June 30, 2019. Included in these total expenditures is $611,471, which represents expenditures of Sisters of Providence Health System. New England's fiscal year end is September 30 and New England's consolidated financial statements and Schedule of Federal Expenditures were audited separately for the year ended September 30, 2019. Accordingly, the federal expenditures were included in a separate audit report in accordance with the Uniform Guidance.

3. LOAN PROGRAMS

The loan programs listed below are administered directly by the Corporation. The balances and transactions relating to these programs are included in the Corporation's consolidated financial statements.

CFDA Number	Program Name	Outstanding Balance at June 30, 2019
93.364	Nursing Student Loan	$322,588
10.854	Rural Economic Development Loans	360,000

4. COMMITMENTS AND CONTINGENCIES

The Corporation participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustments by the grantor agencies; therefore, to the extent that the Corporation has not complied with rules and regulations governing the grants, refund of certain funds received may be required and the collectability of those related receivables at June 30, 2019, may be impaired.

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

Independent Auditors' Report

To the Board of Directors of
Trinity Health Corporation
Livonia, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Trinity Health Corporation and its subsidiaries (the "Corporation") 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 consolidated financial statements, and have issued our report thereon dated September 18, 2019 (except as it relates to the Consolidated Supplemental Schedules of Federal Awards and related notes, as to which the date is March 23, 2020). Our report includes a reference to other auditors who audited the financial statements of certain consolidated and unconsolidated entities, as described in our report on the Corporation's consolidated financial statements. The financial statements of the consolidated entities audited by other auditors were audited in accordance with auditing standards generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Corporation'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 the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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.

Deloitte & Touche LLP

September 18, 2019

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of
Trinity Health Corporation
Livonia, Michigan

Report on Compliance for Each Major Federal Program

We have audited Trinity Health Corporation and its subsidiaries (the "Corporation") compliance with the types of compliance requirements described in the Office of Management and Budget *Compliance Supplement* that could have a direct and material effect on each of the Corporation's major federal programs for the year ended June 30, 2019. The Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The Corporation's consolidated financial statements include the operations of the Saint Joseph's Tower, Inc. (the "Tower"), a wholly owned subsidiary of Trinity Continuing Care Services, Mercy Health System of Chicago and Subsidiaries ("MHSC"), Saint Joseph's Mercy Care Services, Inc. ("SJMCS"), and Trinity Health - New England, Inc. ("New England") for the year ended June 30, 2019, each of which are wholly owned subsidiaries of the Corporation. The Federal Awards of $3.8 million for the Tower, $51.8 million for MHSC, $8.4 million for SJMCS, and $2.2 million for New England have been excluded from the Corporation's Consolidated Supplemental Schedule of Expenditures of Federal Awards. Our audit, described below, did not include procedures relating to the Federal Awards of the Tower, MHSC, or SJMCS because the Corporation engaged other auditors to perform separate audits in accordance with 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 Department of Housing and Urban Development requirements. Our audit, described below, did not include procedures relating to the Federal Awards of New England, because they were subjected to a stand alone audit in accordance with Uniform Guidance.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Corporation's major federal 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 of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the Uniform Guidance. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Corporation's compliance.

Opinion on Each Major Federal Program

In our opinion, the Corporation 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 programs 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 which are described in the accompanying Schedule of Findings and Questioned Costs as Finding 2018-001. Our opinion on each major federal program is not modified with respect to these matters.

The Corporation's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs*.* The Corporation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Corporation 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 the Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over compliance.

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

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

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

Deloitte & Touche LLP

March 23, 2020

SECTION I —SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	____yes _X_ no
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	____yes _X_ no
Noncompliance material to the consolidated financial statements noted?	____Yes _X_ no

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	____yes _X_ no
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	____yes _X_ no
Type of auditors' report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	_X_ yes ____no

The Corporation's major programs were:

Name of Federal Program or Cluster	CFDA Number
Student Financial Aid Cluster	84.007, 84.063, 84.268, 93.364
National Diabetes Prevention Program	93.261
Drug-Free Communities Support Program Grants	93.276
Accountable Health Communities	93.650
HIV Care Formula Grants	93.917
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918
Research and Development Cluster	Various

Dollar threshold used to distinguish between Type A and Type B programs: $1,007,919

The Corporation did not qualify as a low-risk auditee under the criteria in 2 CFR 200.520.

SECTION II — FINANCIAL STATEMENT FINDINGS SECTION

No matters were considered reportable.

SECTION III — FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

FINDING 2019-001 Student Financial Aid Cluster, CFDA No. 84.268 (the "SFA Cluster") – from U.S Department of Education – Finding of Non-Compliance

Condition – In the Fall of 2018, a transfer-student at Mt. Carmel School of Nursing (MCCN) applied for subsidized and unsubsidized loans for the 2018-2019 school year, and incorrectly represented herself as a third-year student. MCCN reviewed the loan-package application and correctly identified the student as a first-year student in accordance with their program standards and transfer credits, but incorrectly disbursed to the student a third-year level package. During the Fall of 2019, the MCCN Director of Financial Aid adjusted the 2018-2019 package to a first-year level and returned the excess funds to the federal government.

Criteria – The 2018-2019 Federal Student Aid Handbook, released by the U.S. Department of Education (DOE), states, "*If your school has conflicting information for a student or you have any reason to believe his application is incorrect, you must resolve such discrepancies before disbursing FSA funds. If you discover a discrepancy after disbursing FSA funds, you must reconcile the conflicting information and require the student to repay any aid for which he wasn't eligible, unless he is no longer enrolled for the award year and will not re-enroll.*" (34 CFR 668.16(f))

Cause – While MCCN appropriately identified the conflicting information (the student mis-representing herself as a third-year), MCCN failed to interpret the above requirements correctly and did not resolve the discrepancy prior to disbursing the funds.

Effect – Providing awards to ineligible students may result in a reduction of overall grants awarded or a reduction in future awards.

Questioned costs – The student received $7,422 in Direct Loans, or $1,922 in excess of the maximum loan amounts for dependent first-year students ($5,500) (34 CFR 685.203).

Context – This instance of non-compliance does not appear to be pervasive to other areas. The student identified above was the only instance of a student receiving funds at a level which differed from their enrollment status from our sample of 40 students. MCCN performed an additional analysis over all 2018-2019 loan packages, and determined there were no other instances of conflicting information. Further, MCCN has taken steps to refund the excess award to the DOE, in accordance with the guidance above.

Repeat Finding from Prior Year – No

Recommendation – MCCN should institute formal policies and procedures to ensure the consistency of any data related to a student's application or eligibility for Federal Student Aid regardless of the source of that data.

Action Plan – The Financial Aid Department (FAD) department has implemented a process to cross check the subsidized loan amount and the grade level to make sure a student has not been over awarded. Selections sets in POWERFaids allow for a quick check. This process will be run on a continuous basis, so no loans will be disbursed at the wrong amount.

View of Responsible Officials – MCCN agrees with the above finding. FAD reversed the funds in the student's account to the Department of Education and notified the student, by both verbal and email communication, that the applicant was not eligible for the entire previously awarded loan package. This was a unique situation and not common in practice. Going forward, the FAD will attempt to resolve all conflicting information prior to disbursing a loan, in accordance with 34 CFR 668.16(f). For any loans refused or reduced, the reason for that action will be documented and provided to the borrower in writing by the FAD.

Contact Person – Todd Everett, Associate Dean, Student Services, (614) 234-5169
Kathy Smith, Director, Business Affairs, (614) 234-2230

Corrective Action Plan of Current Year Audit Findings for the Year Ended June 30, 2019

Fiscal Year	Finding Number	Finding	CFDA Number	Questioned Costs	Contact Person	Corrective Action Planned	Anticipated Completion Date
2019	2019-001	In the Fall of 2018, a transfer-student at Mt. Carmel School of Nursing (MCCN) applied for subsidized and unsubsidized loans for the 2018-2019 school year, and incorrectly represented herself as a third-year student. MCCN reviewed the loan-package application and correctly identified the student as a first-year student in accordance with their program standards and transfer credits, but incorrectly disbursed to the student a third-year level package.	SFA Cluster – CFDA 84.268	$1,922	Todd Everett, Associate Dean, Student Services, (614) 234-5169 Kathy Smith, Director, Business Affairs, (614) 234-2230	The Financial Aid Department (FAD) department has implemented a process to cross check the subsidized loan amount and the grade level to make sure a student has not been over awarded. Selections sets in POWERFaids allow for a quick check. This process will be run on a continuous basis, so no loans will be disbursed at the wrong amount.	Completed in 2019 prior to report issuance.

Summary Schedule of Prior-Year Audit Findings for the Year Ended June 30, 2018

Fiscal Year	Finding Number	Finding	CFDA Number	Questioned Costs	Comments
2018	2018-01	Of the five students who withdrew from St. Joseph's College of Nursing ("SJCON") during the 2017-2018 award year, one student qualified for a refund. When calculating the amount of this refund on an Federal Return of Title IV (R2T4) refund worksheet, SJCON failed in include weekends in the number of days completed by the student and the number of days in the semester. As a result, the calculation of funds to be returned to the Federal government was overstated by $99.	SFA Cluster – CFDA 84.268	None	Corrective action plan was implemented during 2019.
2018	2018-02	In the Spring of 2018, an applicant to the St. Joseph's College of Nursing ("SJCON") applied for a Parent PLUS Loan on behalf of their niece. The application was reviewed by SJCON, and an award was approved and disbursed to the student. In the Fall of 2018, the original applicant (the niece) applied for a second Parent PLUS Loan. During the review process for the second Parent PLUS Loan, it was discovered that the original applicant was the student's uncle, and therefore, not one of the eligible applicants listed in the Federal Student Aid handbook. When this was discovered, the SJCON Financial Aid Coordinator cancelled the original loan from Spring 2018 and returned the funds to the federal government.	SFA Cluster – CFDA 84.268	None	Corrective action plan was implemented during 2019.
2018	2018-03	In November 2017, St. Joseph's College of Nursing ("SJCON") drew down federal funds for a Pell award. SJCON received the funds in November 2017, but did not apply the funds to a student's account until February 2018; which is beyond the three business-day limit and the seven-day tolerance period. As a result, SJCON maintained excess this cash.	SFA Cluster – CFDA 84.063	None	Corrective action plan was implemented during 2019.

Summary Schedule of Prior-Year Audit Findings for the Year Ended June 30, 2018 (continued)

Fiscal Year	Finding Number	Finding	CFDA Number	Questioned Costs	Comments
2018	2018-04	In reviewing the St. Joseph's College of Nursing ("SJCON") Enrollment Reporting Summary Report (a report that shows, for a specified period, the dates enrollment roster files were placed in an institution's Student Aid Internet Gateway (SAIG) and the dates they were completed), it was identified that reports were not filed timely. Two instances were identified where enrollment reporting roster files placed in the institution's SAIG were not completed and submitted within the required 15 day deadline. Additionally, there were two periods where more than 60 days elapsed between enrollment roster file submissions.	SFA Cluster – CFDA 84.063 & 84.263	None	Corrective action plan was implemented during 2019.