

SINGLE AUDIT REPORT

UPMC  
For the Year Ended December 31, 2019  
With Report of Independent Auditors

Ernst & Young LLP



# UPMC

## Single Audit Report

For the Year Ended December 31, 2019

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## Report of Independent Auditors

Senior Management and the Board of Directors  
UPMC

### Opinion on the Financial Statements

We have audited the accompanying consolidated financial statements of UPMC and subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of UPMC and subsidiaries at December 31, 2019 and 2018, and the consolidated results of their operations and changes in net assets and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Schedule of Expenditures of Federal, State, and County Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the Schedule of Pass-Through Grants from Pennsylvania Department of Health, as required by *Section II. B. Additional Components of the Single Audit Reporting Package of the Audit Requirements from the State of Pennsylvania Department of Health*, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we also have issued our report dated February 25, 2020, on our consideration of the Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Company'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 Company's internal control over financial reporting and compliance.

*Ernst & Young LLP*

February 25, 2020,  
except for the schedule of expenditures  
of federal, state, and county awards,  
and schedule of pass-through grants from  
Pennsylvania Department of Health,  
for which the date is June 26, 2020

# CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS)

	As of	
	December 31, 2019	December 31, 2018
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 351,216	\$ 277,324
Patient accounts receivable	1,164,840	1,060,365
Other receivables	1,348,964	1,076,317
Securities lending collateral	73,140	171,657
Other current assets	382,943	358,100
Total current assets	3,321,103	2,943,763
Board-designated, restricted, trustee and other investments	6,248,658	6,578,930
Beneficial interests in foundations and trusts	624,691	499,957
Property, buildings and equipment:		
Land and land improvements	505,793	507,432
Buildings and fixed equipment	7,504,731	6,973,405
Movable equipment	2,972,799	2,639,369
Finance leases	168,935	145,267
Construction in progress	378,541	513,947
	11,530,799	10,779,420
Less allowance for depreciation	(5,841,014)	(5,445,369)
	5,689,785	5,334,051
Operating lease right-of-use assets	1,080,715	-
Other assets	529,546	482,246
Total assets	\$ 17,494,498	\$ 15,838,947
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 669,672	\$ 604,186
Accrued salaries and related benefits	793,243	720,756
Current portion of insurance reserves	759,520	636,566
Payable under securities lending agreement	73,140	171,657
Current portion of long-term obligations	316,162	462,147
Other current liabilities	536,405	472,059
Total current liabilities	3,148,142	3,067,371
Long-term obligations	4,231,077	4,245,409
Pension liability	-	114,178
Long-term insurance reserves	366,100	335,527
Operating lease noncurrent liabilities	1,010,207	-
Other noncurrent liabilities	430,863	341,407
Total liabilities	9,186,389	8,103,892
Net assets without donor restrictions	7,141,410	6,678,826
Net assets with donor restrictions	1,166,699	1,056,229
Total net assets	8,308,109	7,735,055
Total liabilities and net assets	\$ 17,494,498	\$ 15,838,947

See accompanying notes

# CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS

(IN THOUSANDS)

	Years Ended December 31	
	2019	2018
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
Net patient service revenue	\$ 9,100,868	\$ 8,822,997
Insurance enrollment revenue	9,862,977	8,491,686
Other revenue	1,645,431	1,462,661
Total operating revenues	20,609,276	18,777,344
Expenses:		
Salaries, professional fees and employee benefits	7,299,574	6,865,611
Insurance claims expense	6,923,552	5,712,025
Supplies, purchased services and general	5,721,326	5,481,377
Depreciation and amortization	638,199	624,388
Total operating expenses	20,582,651	18,683,401
Operating income	26,625	93,943
Inherent contribution	(2,885)	(72,354)
Other non-operating gains	27,354	71,575
Income tax expense	(4,900)	(16,603)
After-tax income	\$ 46,194	\$ 76,561
Investing and financing activities:		
Investment revenue (expense)	668,580	(70,880)
Interest expense	(151,536)	(162,782)
Loss on extinguishment of debt	(6,471)	-
UPMC Enterprises activity:		
Portfolio company revenue	75,414	53,955
Portfolio company and development expense	(211,857)	(187,122)
Gain (loss) from investing and financing activities	374,130	(366,829)
Excess of revenues over expenses (expenses over revenues)	420,324	(290,268)
Other changes in net assets without donor restrictions	42,260	(121,510)
Change in net assets without donor restrictions	462,584	(411,778)
<b>NET ASSETS WITH DONOR RESTRICTIONS</b>		
Net contributions and other changes	(4,643)	33,295
Net realized and unrealized gains on restricted investments	14,476	21,340
Restricted net assets acquired	1,525	-
Assets released from restriction for operations and capital purchases	(25,622)	(21,936)
Change in beneficial interests in foundations and trusts	124,734	(29,782)
Change in net assets with donor restrictions	110,470	2,917
Change in total net assets	573,054	(408,861)
Cumulative effect of change in accounting principle	-	218,800
Net assets, beginning of period	7,735,055	7,925,116
Net assets, end of period	\$ 8,308,109	\$ 7,735,055

See accompanying notes

# CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN THOUSANDS)

	Years Ended December 31	
	2019	2018
<b>OPERATING ACTIVITIES</b>		
Change in total net assets	\$ 573,054	\$ (408,861)
Adjustments to reconcile change in total net assets to net cash provided by operating activities:		
Depreciation and amortization	638,199	624,388
Change in beneficial interest in foundations and trusts	(124,734)	29,782
Restricted contributions and investment revenue	(9,833)	(54,635)
Unrealized (gains) losses on investments	(342,555)	430,293
Realized gains on investments	(232,814)	(359,206)
Purchases of non-alternative investments	(5,990,155)	(4,424,269)
Sales of non-alternative investments	6,657,768	4,881,053
Inherent contribution	2,885	72,354
Other non-cash activity	39,305	201,197
Changes in operating assets and liabilities:		
Accounts receivable	(369,122)	(256,563)
Other current assets	77,513	(204,140)
Accounts payable and accrued liabilities	100,136	24,422
Insurance reserves	153,527	82,388
Other current liabilities	(157,497)	193,019
Other noncurrent assets and liabilities	(20,438)	28,411
Other operating changes	(36,550)	(109,744)
Net cash provided by operating activities	958,689	749,889
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment (net of disposals)	(935,814)	(867,345)
UPMC Enterprises investments in joint ventures	(21,300)	(14,000)
Cash acquired through affiliations	21,272	-
Net change in investments designated as nontrading	4,885	(8,611)
Purchases of alternative investments	(233,794)	(242,672)
Sales of alternative investments	484,281	348,818
Net change in other assets	(17,506)	(14,811)
Net cash used in investing activities	(697,976)	(798,621)
<b>FINANCING ACTIVITIES</b>		
Repayments of long-term obligations	(1,361,575)	(508,011)
Borrowings of long-term obligations	1,164,921	249,801
Restricted contributions and investment income	9,833	54,635
Net cash used in financing activities	(186,821)	(203,575)
Net change in cash and cash equivalents	73,892	(252,307)
Cash and cash equivalents, beginning of period	277,324	529,631
Cash and cash equivalents, end of period	\$ 351,216	\$ 277,324
<b>SUPPLEMENTAL INFORMATION</b>		
Finance lease obligations incurred to acquire assets	\$ 34,700	\$ 23,908
See accompanying notes		

## 1. ORGANIZATIONAL OVERVIEW AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

UPMC is a Pennsylvania nonprofit corporation and is exempt from federal income tax pursuant to Section 501(a) of the Internal Revenue Code (the "Code") as an organization described in Section 501(c)(3) of the Code. Headquartered in Pittsburgh, Pennsylvania, UPMC is one of the world's leading integrated delivery and financing systems. UPMC comprises nonprofit and for-profit entities offering medical and health care-related services, including health insurance products. Closely affiliated with the University of Pittsburgh (the "University") and with shared academic and research objectives, UPMC partners with the University's Schools of the Health Sciences to deliver outstanding patient care, train tomorrow's health care specialists and biomedical scientists, and conduct groundbreaking research on the causes and course of disease.

The accompanying audited consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP") and include the accounts of UPMC and its subsidiaries. Intercompany accounts and transactions are eliminated in consolidation.

### New Accounting Pronouncements

Recent accounting pronouncements pending adoption are either not applicable or are not expected to have a material impact on UPMC's consolidated balance sheets, statements of operations and changes in net assets or cash flows.

In 2019, UPMC adopted Accounting Standards Update ("ASU") 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, as well as ASU 2016-02, codified as Accounting Standards Codification ("ASC") 842, *Leases* (refer to Notes 7 and 11, respectively, for additional details). In applying the provisions of ASU 2017-07, UPMC adjusted its 2018 consolidated statement of operations and changes in net assets for comparability purposes by increasing salaries, professional fees and employee benefits by \$71,575 with a corresponding decrease to operating income and increase to other non-operating gains.

### Cash and Cash Equivalents

Cash and cash equivalents consist primarily of cash and investments, which are so near to maturity (maturity of three days or less when purchased) that they present insignificant risk of changes in value. Fixed income instruments with original, short-term maturities of less than 90 days that are held in Master Trust Funds ("MTF") are excluded from cash equivalents as they are commingled with longer-term investments.

### Net Patient Service Revenue

UPMC's net patient service revenue is reported at the amount that reflects the consideration to which UPMC expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payers (including health insurers and government programs), and others and include an estimate of variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, UPMC bills the patients and third-party payers several days after the services are performed and/or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by UPMC. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. UPMC believes that this method provides a reasonable representation 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 inpatient services. UPMC measures the performance obligation from admission into the hospital to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided and UPMC does not believe it is required to provide additional goods or services to the patient.



The majority of UPMC's services are rendered to patients with third party coverage. Reimbursement under these programs for all payers is based on a combination of prospectively determined rates, discounted charges and historical costs. Amounts received under Medicare and Medical Assistance programs are subject to review and final determination by program intermediaries or their agents and the contracts UPMC has with commercial payers also provide for retroactive audit and review of claims. Agreements with third-party payers typically provide for payments at amounts less than established charges. Generally, patients who are covered by third-party payers are responsible for related deductibles and coinsurance, which vary in amount. UPMC also provides services to uninsured patients, and offers those uninsured patients a discount, either by policy or law, from standard charges. UPMC estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to net patient service revenue in the period of the change and are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods if final settlements differ from estimates. Adjustments arising from a change to previously estimated transaction prices were not significant in the years ended December 31, 2019 or 2018.

Consistent with UPMC's mission, care is provided to patients regardless of their ability to pay. UPMC has determined it has provided implicit price concessions to uninsured 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 UPMC expects to collect based on its collection history with those patients. Patients who meet UPMC's criteria for charity care are provided care without charge or at amounts less than established rates and UPMC has determined it has provided an implicit price concession. Price concessions, including charity care, are not reported as net patient service revenue.

The composition of net patient service revenue for the years ended December 31, 2019 and 2018, primarily resulting from patients in the western Pennsylvania region, are as follows:

Years Ended December 31	2019	2018
Medicare	39%	39%
Commercial	38%	38%
Medical Assistance	15%	15%
Self-pay/other	8%	8%
	100%	100%

Laws and regulations governing the Medicare and Medical Assistance programs are complex and subject to interpretation. UPMC believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. Compliance with such laws and regulations is subject to government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from Medicare and Medical Assistance programs. As a result, there is at least a reasonable possibility that the recorded estimates may change.

### Insurance Enrollment Revenue

UPMC's insurance subsidiaries (collectively, the "Health Plans") provide health care services on a prepaid basis under various contracts. Insurance enrollment revenues are recognized as income in the period in which enrollees are entitled to receive health care services, which represents the performance obligation. Health care premium payments received from UPMC's members in advance of the service period are recorded as unearned revenues.

Insurance enrollment revenues include commercial, Medicare, Medical Assistance and behavioral health contracts. Laws and regulations governing the Medicare and Medical Assistance programs are complex and subject to interpretation. UPMC believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. Compliance with such laws and regulations can be subject to government review and interpretation as well as significant regulatory action, including fines, penalties, and exclusion from the programs. As a result, there is at least a reasonable possibility that recorded estimates may change.

## Other Revenue

UPMC's other revenue consists of various contracts related to its Health Services and Insurance Services divisions. These contracts vary in duration and in performance obligations. Revenues are recognized when the performance obligations identified within the individual contracts are satisfied and collectability is probable.

## Receivables

Concentrations of net patient accounts receivable at December 31, 2019 and 2018 include:

Years Ended December 31	2019	2018
Commercial	42%	47%
Medicare	29%	25%
Medical Assistance	12%	9%
Self-pay/other	17%	19%
	<b>100%</b>	100%

Other receivables are primarily comprised of payments due to Insurance Services and include the uncollected amounts from fully-insured groups, individuals and government programs and are reported net of an allowance for estimated terminations and uncollectible accounts

## Board-Designated, Restricted, Trusteed, and Other Investments

Substantially all of UPMC's investments in debt and equity securities are classified as trading. This classification requires UPMC to recognize unrealized gains and losses on substantially all of its investments in debt and equity securities as investment revenue (expense) in the consolidated statements of operations and changes in net assets. This classification also includes UPMC Enterprises' cost basis investments in early stage entities, which are categorized as alternative investments. Gains and losses on the sales of securities are determined by the average cost method. Realized and unrealized gains and losses are included in investment revenue (expense) in the consolidated statements of operations and changes in net assets. Realized and unrealized gains and losses on donor-restricted assets are recorded as changes in net assets with donor restrictions in the consolidated statements of operations and changes in net assets.

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value using quoted market prices or model-driven valuations. These investments predominantly include those maintained in Master Trust Funds and are summarized as nonalternative investments in Note 3.

Investments in limited partnerships that invest in marketable securities (hedge funds) are reported using the equity method of accounting based on information provided by the respective partnership, generally received on a one month lag. The values provided by the respective partnerships are based on historical cost, appraisals, or other estimates that require varying degrees of judgment. Generally, UPMC's holdings reflect net contributions to the partnership and an allocated share of realized and unrealized investment income and expenses. The investments may individually expose UPMC to securities lending, short sales, and trading in futures and forward contract options and other derivative products. UPMC's risk is limited to its carrying value

for these lending and derivatives transactions. Amounts can be divested only at specified times. The financial statements of the limited partnerships are audited annually, generally as of December 31.

The value of UPMC's private equity investments are based upon financial statements received from the general partners, which are generally received on a quarter lag. As a result, the market values and earnings recorded at December 31, 2019 reflect the partnership activity experienced during the year ending September 30, 2019. These investments are summarized as alternative investments in Note 3.

### **Fair Value Elections**

Pursuant to accounting guidance provided by ASC 825-10, *Financial Instruments*, UPMC makes elections, on an investment-by-investment basis, as to whether it measures certain equity method investments that are traded in active markets at fair value. Fair value elections are generally irrevocable. The initial unrealized gains recognized upon election of the fair value option are recorded as operating revenue in the consolidated statements of operations and changes in net assets consistent with accounting for other equity method investments where UPMC has the ability to exercise significant influence but not control. Any subsequent changes in the fair value of the investment are recorded as investment revenue (expense) in the consolidated statements of operations and changes in net assets consistent with UPMC's reporting of gains and losses on other marketable securities included in board-designated, restricted, trustee, and other investments. Management believes this reporting increases the transparency of UPMC's financial condition.

### **Financial Instruments**

Cash and cash equivalents and investments recorded at fair value aggregate to \$5,926,923 and \$6,193,204 at December 31, 2019 and 2018, respectively. The fair value of these instruments is based on market prices as estimated by financial institutions. The fair value of amounts owed to counterparties under derivative contracts at December 31, 2019 and 2018, is \$6,230 and \$7,550, respectively, and due from counterparties is \$532 and \$408, respectively, based on pricing models that take into account the present value of estimated future cash flows.

UPMC 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. The amount of cash collateral received under securities lending is reported as an asset with a corresponding payable in the consolidated balance sheets. The total collateral is required to have a market value between 102% and 105% of the market value of securities loaned. As of December 31, 2019 and 2018, securities loaned to various parties, of which UPMC maintains ownership, were \$218,933 and \$247,777, respectively, and total collateral (cash and noncash) received related to the securities loaned was \$226,910 and \$258,677, respectively.

### **Beneficial Interests in Foundations and Trusts**

Several of UPMC's subsidiary hospitals have foundations that, according to their bylaws, were formed for the exclusive purpose of supporting and furthering the mission of the respective hospital. The foundations are separate corporations and are not liable for the obligations of UPMC, including any claims of creditors of any UPMC entities. The net assets of certain foundations are included in the consolidated balance sheets as beneficial interests in foundations and net assets with donor restrictions because the hospitals' use of these assets is at the discretion of the foundations' independent boards of directors.

Beneficial interests in foundations and trusts of \$624,691 and \$499,957, respectively, and the net assets of consolidated foundations of \$246,702 and \$205,238 as of December 31, 2019 and 2018, respectively, are not pledged as collateral for UPMC's debt.

## Property, Buildings, and Equipment

Property, buildings, and equipment are recorded at cost or, if donated or impaired, at fair market value at the date of receipt or impairment. Interest cost incurred on borrowed funds (net of interest earned on such funds) during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Costs associated with the development and installation of internal-use software are expensed or capitalized depending on whether they are incurred in the preliminary project stage, application development stage, or post-implementation stage.

Depreciation is computed using the straight-line method at rates designed to depreciate the assets over their estimated useful lives (predominantly ranging from 3 to 40 years) and includes depreciation related to finance leases. Certain newly constructed buildings have estimated useful lives up to 60 years. Depreciation expense on property, buildings, and equipment for the years ended December 31, 2019 and 2018 was \$637,832 and \$623,783, respectively.

## Leases

In February 2016, ASU 2016-02 was issued to codify ASC 842, *Leases*. Under the new standard, assets and liabilities arising from most leases are recognized on the balance sheet, and enhanced disclosures on key quantitative and qualitative information about leasing arrangements are required. Leases are classified as either operating or financing, and the lease classification determines whether expense is recognized on a straight-line basis (operating leases) or based on an effective interest method (finance leases). The new standard was effective for interim and annual periods on January 1, 2019, and UPMC has applied the transitional package of practical expedients allowed by the standard relating to the identification, classification and initial direct costs of leases commencing before the effective date; however, UPMC did not elect the hindsight transitional practical expedient. UPMC has made accounting policy elections to not apply recognition requirements of the guidance to short-term leases and to use the risk-free discount rate for operating leases. In July 2018, ASU No. 2018-11, *Leases: Targeted Improvements*, was issued which provided an optional transition method that allows entities to initially apply the new lease standard at the adoption date. UPMC utilized the optional transition method to apply the lease standard as of January 1, 2019. After adoption, UPMC recognized assets and liabilities of approximately \$1,200,000 as of the transition date. Refer to Note 11 for additional disclosures.

## Asset Impairment

UPMC evaluates the recoverability of the carrying value of long-lived assets by reviewing long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable and adjusts the asset cost to fair value if undiscounted cash flows are less than the carrying amount of the asset. There have been no significant impairments in the years ended December 31, 2019 and 2018.

## Other Assets

Investments in individual entities in which UPMC has the ability to exercise significant influence but does not control, generally 20% to 50% ownership, are reported using the equity method of accounting unless the fair value option is elected. All other noncontrolled investments, generally less than 20% ownership, are carried at cost. Other assets include approximately \$140,722 and \$142,775 at December 31, 2019 and 2018, respectively, relating to investments in partnerships/joint ventures that provide health care, management, and other goods and services to UPMC, its affiliates, and the community at large.

## Goodwill

Goodwill represents the excess of the cost of an acquired entity over the net of the amounts assigned to the fair value of assets acquired and liabilities assumed. As of December 31, 2019 and 2018, goodwill of \$235,753 and \$247,047, respectively, is recorded in UPMC's consolidated balance sheets as other assets. The overall decrease in goodwill compared to prior year is related to the sale of minor businesses in the Health Services division and UPMC Enterprises offset by several minor acquisitions in Health Services.

Goodwill is reviewed annually for impairment, or more frequently if events or circumstances indicate that the carrying value of an asset may not be recoverable. In connection with changes in accounting standards, which were adopted by UPMC in 2012, UPMC has the option to qualitatively assess goodwill for impairment before completing a quantitative assessment. Under the qualitative approach, if, after assessing the totality of events or circumstances, including both macroeconomic, industry and market factors, and entity-specific factors, UPMC determines it is likely (more likely than not) that the fair value is greater than its carrying amount, then the quantitative impairment analysis is not required. As of December 31, 2019 and 2018, after application of the qualitative approach, there were no indicators of impairment.

## Derivatives

UPMC uses derivative financial instruments ("derivatives") to modify the interest rates and manage risks associated with its asset allocation and outstanding debt. UPMC records derivatives as assets or liabilities in the consolidated balance sheets at fair value. The accounting for changes in the fair value (i.e., gains or losses) of a derivative depends on whether it has been designated and qualifies as part of a hedging relationship and, further, on the type of hedging relationship. UPMC has entered into interest rate swap agreements that convert a portion of its variable rate debt to a fixed interest rate. UPMC has also entered into equity-related derivatives to manage the asset allocation in its investment portfolio. Under the equity index swap agreements, UPMC pays a fixed income-like return in order to receive an equity-like return. The notional amount of these swaps is based upon UPMC's target asset allocation. None of UPMC's swaps outstanding as of December 31, 2019 and 2018, are designated as hedging instruments and, as such, changes in fair value are recognized in investing and financing activities as investment revenue (expense) in the consolidated statements of operations and changes in net assets.

By using derivatives to manage these risks, UPMC exposes itself to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivatives. When the fair value of a derivative is positive, the counterparty owes UPMC, which creates credit risk for UPMC. When the fair value of a derivative is negative, UPMC owes the counterparty, and therefore, it does not incur credit risk. UPMC minimizes the credit risk in derivatives by entering into transactions that require the counterparty to post collateral for the benefit of UPMC based on the credit rating of the counterparty and the fair value of the derivative. If UPMC has a derivative in a liability position, UPMC's credit is a risk and fair market values could be adjusted downward. Market risk is the effect on the value of a financial instrument that results from a change in interest rates. The market risk associated with interest rate changes is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken. Management also mitigates risk through periodic reviews of derivative positions in the context of UPMC's total blended cost of capital.

## Net Assets

Resources are classified for reporting purposes as net assets without donor restrictions and net assets with donor restrictions, according to the absence or existence of donor-imposed restrictions. Board-designated net assets are net assets without donor restrictions that have been set aside by the Board for specific purposes. Net assets with donor restrictions are those assets, including contributions and accumulated investment returns, whose use has been limited by donors for a specific purpose or time period or are those for which donors require the principal of the gifts to be maintained in perpetuity to provide a permanent source of income.

Net assets with donor restrictions include \$365,099 and \$338,154 of net assets held in perpetuity at December 31, 2019 and 2018, respectively. Additionally, net assets with donor restrictions include beneficial interests in foundations that support research and other health care programs. Some net assets with donor restrictions are limited by donors and the foundations to a specific time period or purpose and are reclassified to net assets without donor restrictions and included in the consolidated statements of operations and changes in net assets as other revenue or assets released from restriction for capital purchases when the restriction is met.

### **Inherent Contribution**

UPMC applies the guidance set forth in ASC 958-805; *Not-for-Profit Business Combinations*, for affiliations and acquisitions. The guidance primarily characterizes business combinations between not-for-profit entities as nonreciprocal transfers of assets resulting in the contribution of the acquiree's net assets to the acquirer. The guidance prescribes that the acquirer recognizes an excess of the acquisition date fair value of unrestricted net assets acquired over the fair value of the consideration transferred as a separate credit in its statement of operations as of the acquisition date or conversely, recognize the excess of the fair value of the consideration transferred over the fair value of the unrestricted net assets acquired as goodwill. Adjustments to these fair value assessments and other related charges are recorded in the statement of operations and changes in net assets in the period incurred or identified.

### **Excess of Revenues Over Expenses**

The consolidated statements of operations and changes in net assets include excess of revenues over expenses as a performance indicator. Excess of revenues over expenses includes all changes in net assets without donor restrictions except for contributions and distributions from foundations for the purchase of property and equipment, adjustments for pension liability, other than net periodic pension cost, discontinued operations, if any, and the cumulative effect of changes in accounting principles, if any.

### **Use of Estimates**

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

## **2. CHARITY CARE**

UPMC's patient acceptance policy is based on its mission and its community service responsibilities. Accordingly, UPMC accepts patients in immediate need of care, regardless of their ability to pay. UPMC does not pursue collection of amounts determined to qualify as charity care based on established policies of UPMC. These policies define charity care as those services for which no payment is due for all or a portion of the patient's bill. For financial reporting purposes, charity care is excluded from net patient service revenue. The amount of charity care provided, determined on the basis of cost, was \$107,520 and \$88,847 for the years ended December 31, 2019 and 2018, respectively. UPMC estimates the cost of providing charity care using the ratio of average patient care cost to gross charges and then applying that ratio to the gross uncompensated charges associated with providing charity care.

### 3. CASH AND INVESTMENTS

Following is a summary of cash and investments included in the consolidated balance sheets:

	December 31	
	2019	2018
Internally designated:		
Funded depreciation	\$ 35,718	\$ 6,652
Employee benefit and workers' compensation self-insurance programs	126,730	103,785
Professional and general liability insurance program	587,249	555,021
Health insurance programs	1,313,425	1,426,274
	2,063,122	2,091,732
Externally designated:		
Trusted assets for capital and debt service payments	236,159	498,963
Donor-restricted assets	546,619	551,505
	782,778	1,050,468
Other long-term investments	3,402,758	3,436,730
Board-designated, restricted, trustee, and other investments	6,248,658	6,578,930
Cash and cash equivalents	351,216	277,324
	\$ 6,599,874	\$ 6,856,254

Investments are primarily maintained in MTF and administered using a bank as trustee. As of December 31, 2019, UPMC utilized 142 ongoing external investment managers including 45 traditional managers, 12 hedge fund managers and 85 private capital managers. UPMC is also invested with an additional 45 legacy private capital and hedge fund managers. The largest allocation to any alternative investment fund is \$73,831 as of December 31, 2019. Certain managers use various equity and interest rate derivatives. These instruments are subject to various risks similar to nonderivative financial instruments, including market, credit, liquidity, operational, and foreign exchange risk. UPMC's unfunded commitments to investments in MTF are \$321,670 and \$456,891 as of December 31, 2019 and 2018, respectively.

As of December 31, 2019 and 2018, respectively, UPMC had investments not measured at fair value of \$672,951 and \$663,050. Investment return from cash and investments is comprised of the following for the years ended December 31, 2019 and 2018:

	2019	2018
Interest income	\$ 89,844	\$ 91,345
Dividend income	34,963	34,962
Net realized gains on sales of securities	232,814	268,561
	357,621	394,868
Unrealized investment gains (losses)	342,555	(430,293)
Derivative contracts mark to market	1,444	207
	343,999	(430,086)
Total investment gain (loss)	701,620	(35,218)
Traditional investment manager and trustee fees	(33,040)	(35,662)
Investment revenue (expense)	\$ 668,580	\$ (70,880)



In managing the UPMC investment strategy, an important consideration is to ensure sufficient liquidity. While UPMC's relationships with its external investment managers vary in terms of exit provisions, a percentage of the agreements allow ready access to underlying assets which are generally liquid and marketable. Liquidity as of December 31, 2019, is shown below:

Liquidity Availability	Cash and Cash Equivalents	Nonalternative Investments	Alternative Investments	Total
Within three days	\$ 351,216	\$ 4,296,419	\$ -	\$ 4,647,635
Within 30 days	-	153,050	54,595	207,645
Within 60 days	-	-	70,620	70,620
Within 90 days	-	-	271,871	271,871
More than 90 days	-	145,488	1,256,615	1,402,103
Total	\$ 351,216	\$ 4,594,957	\$ 1,653,701	\$ 6,599,874

#### 4. CREDIT ARRANGEMENTS

UPMC has a revolving line and letter of credit facility (the "Revolving Facility") with an available line of \$600,000. The Revolving Facility expires on January 24, 2024. The Revolving Facility is used to manage cash flow during the year and to provide for a consolidated method of issuing various letters of credit for certain business units. A note to secure UPMC's repayment obligation with respect to the Revolving Facility was issued under the 2007 Master Trust Indenture ("2007 UPMC MTI") and is secured by a pledge of and security interest in the gross revenues of UPMC's parent corporation, UPMC Presbyterian Shadyside, Magee-Women's Hospital of UPMC, UPMC Passavant and UPMC St. Margaret as members of the obligated group under the 2007 UPMC MTI. Advances may be variable rate based on the prime rate or the Federal Funds effective rates or fixed on the date of the advance based on the LIBOR Rate and the reserve requirement on Eurocurrency liabilities.

As of December 31, 2019 and 2018, UPMC had issued \$85,353 and \$75,901, respectively, of letters of credit under the Revolving Facility. These letters of credit predominantly support the capital requirements of certain insurance subsidiaries. As of December 31, 2019 and 2018, there was \$514,647 and \$424,099, respectively, available to borrow under the Revolving Facility. No amounts were outstanding under the Revolving Facility as of December 31, 2019 and 2018.

In April 2017, additional credit facilities of \$19,000 (increased to \$150,000 from May 15 to August 14 on an annual basis) and \$50,000 were opened, both with expiration dates in April 2022. Both of these credit facilities support the Insurance Services division. As of December 31, 2019 and 2018, there were no draws on these credit facilities.

During the year ended December 31, 2019, UPMC issued Series 2019A fixed rate bonds in the par amount of \$726,650, with an original issue premium of \$115,986, in order to refund existing debt.



## 5. LONG-TERM OBLIGATIONS AND DERIVATIVE INSTRUMENTS

Long-term obligations consist of the following:

		December 31
	2019	2018
Fixed rate revenue bonds	\$ 3,103,451	\$ 3,001,836
Variable rate revenue bonds	1,086,618	1,463,870
Finance leases and other	136,773	120,165
Par value of long-term obligations	4,326,842	4,585,871
Net premium and other	220,397	121,685
	4,547,239	4,707,556
Less current portion	(316,162)	(462,147)
Total long-term obligations	\$ 4,231,077	\$ 4,245,409

Revenue instruments outstanding represent funds borrowed by the UPMC parent corporation and various subsidiaries pursuant to loan agreements and lease and sublease financing arrangements with governmental authorities. The bond proceeds were used for the purchase, construction, and renovation of hospital facilities, certain buildings and equipment, as well as the extinguishment of debt.

The fixed rate revenue instruments bear interest at fixed coupon rates ranging from 2.00% to 6.00% at December 31, 2019 and from 1.90% to 6.00% at December 31, 2018. The average interest costs for the variable rate instruments were 2.31% and 2.25% during the years ended December 31, 2019 and 2018, respectively. Revenue instruments have varying principal payments and final maturities from 2021 through 2047. Certain revenue bonds (\$43,573 and \$43,562 for 2019 and 2018, respectively) are secured by bond insurance. The revenue bonds contain redemption provisions whereby, at the direction of UPMC, the bonds may be redeemed on various dates as presented within the bond agreements.

Revenue instruments in the aggregate amount of debt outstanding of \$4,183,840 and \$4,437,191 as of December 31, 2019 and 2018, respectively, are issued under the UPMC MTI. The instruments are secured by a pledge of and security interest in gross revenues. Certain amounts borrowed under the MTI are loaned to certain subsidiary corporations pursuant to loan and contribution agreements and require the transfer of subsidiary funds to the parent corporation in the event of failure to satisfy the UPMC parent corporation liquidity covenant.

The various indebtedness agreements contain restrictive covenants, the most significant of which are the maintenance of minimum debt service coverage and liquidity ratios, and restrictions as to the incurrence of additional indebtedness and transfers of assets. UPMC was in compliance with such covenants as of December 31, 2019 and 2018.

Aggregate maturities of long-term obligations for the next five years, assuming no remarketing of UPMC's variable rate debt, indicating the maximum potential payment obligations in these years, are as follows:

2020	\$ 316,162
2021	260,834
2022	148,838
2023	167,934
2024	156,754

Interest paid, net of amounts capitalized, on all obligations was \$164,066 and \$180,012 during the years ended December 31, 2019 and 2018, respectively.

UPMC maintains interest rate swap programs on certain of its revenue bonds in order to manage its interest rate risk. To meet this objective and to take advantage of low interest rates, UPMC entered into various interest rate swap agreements to manage interest rate risk. The notional amount under each interest rate swap agreement is reduced over the term of the respective agreement to correspond with reductions in various outstanding bond series.

During the term of these agreements, the floating to fixed rate swaps convert variable rate debt to a fixed rate and the basis swaps convert the interest rate on underlying LIBOR-based bonds to the Securities Industry and Financial Markets Association Municipal Swap Index ("SIFMA Index").

Under the basis swaps, UPMC pays a rate equal to the SIFMA Index, an index of seven-day, high-grade, tax-exempt variable rate demand obligations. The SIFMA Index rates ranged from 1.06% to 2.30% (weighted average rate of 1.46%) and from 0.94% to 1.81% (weighted average rate of 1.41%) as of December 31, 2019 and 2018, respectively.

The following table summarizes UPMC's interest rate swap agreements:

Swap	Maturity Date	UPMC Pays	UPMC Receives	Notional Amount at	
				Dec 31, 2019	Dec 31, 2018
Floating to fixed	2025	3.60%	68% one-month LIBOR	\$ 70,220	\$ 79,875
Basis	2021	SIFMA Index <sup>1</sup>	67% three-month LIBOR plus .2077%	14,485	21,340
Basis	2037	SIFMA Index <sup>1</sup>	67% three-month LIBOR plus .3217%	46,095	46,095
Floating to fixed	2024	1.413%	67% one-month LIBOR	8,500	-
				\$ 139,300	\$ 147,310

<sup>1</sup>The SIFMA Index is a 7-day high-grade market index comprised of tax-exempt variable rate demand obligations.

The following table summarizes UPMC's equity swap agreements:

Maturity Date	UPMC Pays	UPMC Receives	Notional Amount at	
			Dec 31, 2019	Dec 31, 2018
2019	One-month LIBOR plus .385%	S&P 500 Total Return Index	\$ -	\$ 100,000
			\$ -	\$ 100,000

Pursuant to master netting arrangements, UPMC has the right to offset the fair value of amounts recognized for derivatives, including the right to reclaim or obligation to return cash collateral from/to counterparties. The fair values of UPMC's derivative financial instruments are presented below, representing the gross amounts recognized as of December 31, 2019 and December 31, 2018 which are not offset by counterparty or type of item hedged:

	<b>Dec 31, 2019</b>	<b>Dec 31, 2018</b>
Other assets	<b>\$ 532</b>	<b>\$ 408</b>
Long-term obligations	<b>(6,230)</b>	<b>(7,550)</b>
	<b>\$ (5,698)</b>	<b>\$ (7,142)</b>

UPMC's derivatives contain provisions that require UPMC's debt to maintain an investment grade credit rating from certain major credit rating agencies. If UPMC's debt were to fall below investment grade, it would be in violation of these provisions, and the counterparties to the derivatives could request payment or demand immediate and ongoing full overnight collateralization on derivatives in net liability positions. The aggregate fair value of all derivatives with credit-risk-related contingent features that are in a liability position at December 31, 2019 and 2018, is \$6,139 and \$6,003, respectively, for which UPMC has posted collateral of \$0 in the normal course of business. If the credit-risk-related contingent features underlying these derivatives were triggered to the fullest extent on December 31, 2019 and 2018, UPMC would be required to post an additional \$6,277 and \$6,125, respectively, of collateral to its counterparties.

## **6. FAIR VALUE MEASUREMENTS**

As of December 31, 2019 and 2018, UPMC held certain assets that are required to be measured at fair value on a recurring basis. These include cash and cash equivalents and certain board-designated, restricted, trustee, and other investments and derivative instruments. Certain of UPMC's alternative investments are measured using either the cost or equity method of accounting and are therefore excluded from the fair value hierarchy tables presented herein. The valuation techniques used to measure fair value are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs are generally unsupported by market activity. The three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value, includes:

- Level 1: Quoted prices for identical assets or liabilities in active markets.
- Level 2: Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-driven valuations whose inputs are observable or whose significant value drivers are observable.
- Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following tables represent UPMC's fair value hierarchy for its financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2019 and 2018. The interest rate swaps are valued using internal models, which are primarily based on market observable inputs including interest rate curves. When quoted market prices are unobservable for fixed income securities, quotes from independent pricing vendors based on recent trading activity and other relevant information including market interest rate curves, referenced credit spreads and estimated prepayment rates where applicable are used for valuation purposes. These investments are included in Level 2 and include corporate fixed income, government bonds, and mortgage and asset-backed securities.

Other investments measured at fair value represent funds included on the consolidated balance sheets that are reported using net asset value ("NAV"). These amounts are not required to be categorized in the fair value hierarchy. The fair value of these investments is based on the net asset value information provided by the general partner. Fair value is based on the proportionate share of the NAV based on the most recent partners' capital statements received from the general partners, which is generally one quarter prior to the balance sheet date. Certain of UPMC's alternative investments are utilizing NAV to calculate fair value and are included in other investments in the following tables.

#### **FAIR VALUE MEASUREMENTS AS OF DECEMBER 31, 2019**

	Level 1	Level 2	Level 3	NAV	Total Carrying Amount
<b>ASSETS</b>					
Fixed income	\$ 744,751	\$ 1,248,921	\$ -	\$ -	\$ 1,993,672
Domestic equity	792,501	17,915	-	-	810,416
International equity	723,059	118	-	-	723,177
Public real estate	69,746	-	-	-	69,746
Long/short equity	65,424	-	-	-	65,424
Absolute equity	24,077	-	-	-	24,077
Commodities	5,379	-	-	-	5,379
Derivative instruments	-	532	-	-	532
Securities on loan	218,933	-	-	-	218,933
Securities lending collateral	73,140	-	-	-	73,140
Other investments	-	-	-	1,664,883	1,664,883
Total assets measured at fair value on a recurring basis	\$ 2,717,010	\$ 1,267,486	\$ -	\$ 1,664,883	\$ 5,649,379
<b>LIABILITIES</b>					
Payable under securities lending agreement	\$ (73,140)	\$ -	\$ -	\$ -	\$ (73,140)
Derivative instruments	-	(6,230)	-	-	(6,230)
Total liabilities measured at fair value on a recurring basis	\$ (73,140)	\$ (6,230)	\$ -	\$ -	\$ (79,370)

## FAIR VALUE MEASUREMENTS AS OF DECEMBER 31, 2018

	Level 1	Level 2	Level 3	NAV	Total Carrying Amount
<b>ASSETS</b>					
Fixed income	\$ 903,979	\$ 1,461,002	\$ -	\$ -	\$ 2,364,981
Domestic equity	318,851	15,543	-	-	334,394
International equity	408,392	-	-	-	408,392
Public real estate	54,423	-	-	-	54,423
Long/short equity	47,801	23,885	-	-	71,686
Absolute equity	21,087	-	-	-	21,087
Commodities	4,515	-	-	-	4,515
Derivative instruments	-	408	-	-	408
Securities on loan	247,777	-	-	-	247,777
Securities lending collateral	171,657	-	-	-	171,657
Other investments	-	-	-	2,408,625	2,408,625
Total assets measured at fair value on a recurring basis	\$ 2,178,482	\$ 1,500,838	\$ -	\$ 2,408,625	\$ 6,087,945
<b>LIABILITIES</b>					
Payable under securities lending agreement	\$ (171,657)	\$ -	\$ -	\$ -	\$ (171,657)
Derivative instruments	-	(7,550)	-	-	(7,550)
Total liabilities measured at fair value on a recurring basis	\$ (171,657)	\$ (7,550)	\$ -	\$ -	\$ (179,207)

## 7. PENSION PLANS

UPMC and its subsidiaries maintain defined benefit pension plans (the “Plans”), defined contribution plans, and nonqualified pension plans that cover substantially all of UPMC’s employees. Under the defined contribution plans, employees may elect to contribute a percentage of their salary, which is matched in accordance with the provisions of the defined contribution plans. Contributions to the nonqualified pension plans are based on a percentage of salary or contractual arrangements. Total expense relating to the aforementioned pension plans was \$246,262 and \$184,357, respectively, for the years ended December 31, 2019 and 2018.

UPMC adopted ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, for the year ended December 31, 2019 and will adopt for interim periods in the subsequent year. UPMC elected to use the practical expedient that permits the use of the amounts disclosed in the pension plans footnote for the prior comparative periods as the estimation basis for applying the retrospective presentation requirements. The impact of adopting ASU 2017-07, when applied retrospectively to the years ended December 31, 2019 and 2018, increased salaries, professional fees and employee benefits on the consolidated statements of operations and changes in net assets by \$27,354 and \$71,575, respectively, with a corresponding decrease to operating income and increase to other non-operating gains. The adoption had no impact on excess of revenues over expenses or net assets.

Benefits under the Plans vary and are generally based upon the employee’s earnings and years of participation. It is UPMC’s policy to meet the requirements of the Employee Retirement Income Security Act of 1974 (“ERISA”) and the Pension Protection Act of 2006. UPMC’s policy is to contribute amounts sufficient to, among other things, avoid Pension Benefit Guaranty Corporation variable premiums. Contributions made to the Plans were \$162,712 and \$0 for the years ended December 31, 2019 and 2018, respectively.

To develop the expected long-term rate of return on plan assets assumption, UPMC considers the current level of expected returns on risk-free investments, the historical level of risk premium associated with the other asset classes in which the pension portfolio is invested and the expectations for future returns on each asset class. The expected return for each asset class is then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the pension portfolio.

The table below sets forth the accumulated benefit obligation, the change in the projected benefit obligation, and the change in the assets of the Plans. The table also reflects the funded status of the Plans as well as recognized and unrecognized amounts in the consolidated balance sheets. As of December 31, 2019, the accrued pension asset is included in other assets on the consolidated balance sheet.

	Year Ended December 31	
	2019	2018
Accumulated benefit obligation	\$ 2,379,377	\$ 2,173,087
<b>CHANGE IN PROJECTED BENEFIT OBLIGATION</b>		
Projected benefit obligation at beginning of year	\$ 2,246,134	\$ 2,222,020
Pension plans acquired	32,537	21,614
Service cost	121,072	119,250
Interest cost	93,767	78,395
Actuarial loss (gain)	149,932	(53,321)
Benefits paid	(158,336)	(141,824)
Projected benefit obligation at end of year	2,485,106	2,246,134
<b>CHANGE IN PLAN ASSETS</b>		
Fair value of plan assets at beginning of year	2,131,956	2,289,039
Pension plans acquired	28,461	21,697
Actual return on plan assets	342,568	(36,956)
Employer contributions	162,712	-
Benefits paid	(158,336)	(141,824)
Fair value of plan assets at end of year	2,507,361	2,131,956
Accrued pension (asset) liability at end of year	\$ (22,255)	\$ 114,178

Included in net assets without donor restrictions at December 31, 2019 and 2018 are the following amounts that have not yet been recognized in net periodic pension cost:

	As of December 31	
	2019	2018
Unrecognized prior service credit	\$ 44,575	\$ 49,831
Unrecognized net actuarial loss	(471,656)	(548,427)
	\$ (427,081)	\$ (498,596)

Changes in plan assets and benefit obligations recognized in net assets without donor restrictions during 2019 and 2018 include the following:

	Year Ended December 31	
	2019	2018
Current year net actuarial gain (loss)	\$ 37,755	\$ (150,143)
Amortization of actuarial loss	39,016	21,878
Amortization of prior service credit	(5,256)	(5,257)
	<b>\$ 71,515</b>	<b>\$ (133,522)</b>

No plan assets are expected to be returned to UPMC during the year ending December 31, 2020. The components of net periodic pension cost for the Plans were as follows:

	Year Ended December 31	
	2019	2018
Service cost	\$ 121,072	\$ 119,250
Interest cost	93,767	78,395
Expected return on plan assets	(154,881)	(166,591)
Recognized net actuarial loss	39,016	21,878
Amortization of prior service credit	(5,256)	(5,257)
Net periodic pension cost	<b>\$ 93,718</b>	<b>\$ 47,675</b>

The weighted average actuarial assumptions used to determine the benefit obligations and net periodic pension cost for the Plans are as follows:

	December 31	
	2019	2018
Discount rates:		
Used for benefit obligations	3.17%	4.31%
Used for net periodic pension cost	4.31%	3.63%
Expected rate of compensation increase:		
Used for benefit obligations	Age-graded	Age-graded
Used for net periodic pension cost	Age-graded	Age-graded
Expected long-term rate of return on plan assets	7.00%	7.50%
Interest crediting rate	2.40%	3.31%

The assumptions for long-term rate of return are developed using the expected returns of the various asset classes in which the pension invests and the allocations of each asset class with respect to the investment as a whole. The change in discount rate from 4.31% to 3.17%, and the change in interest crediting rate from 3.31% to 2.40% had the net effect of increasing the projected benefit obligation by \$129,383.

The following pension benefit payments are expected to be paid in the periods ending December 31:

2020	\$ 204,055
2021	208,168
2022	204,615
2023	204,282
2024	202,059
2025-2029	943,401

UPMC employs a total return investment approach whereby a mix of equities and fixed income investments are used to maximize the long-term return on plan assets subject to accepting a prudent level of risk. Risk tolerance is established through consideration of plan liabilities, plan funded status, and corporate financial condition. The pension portfolio contains a diversified blend of equity, fixed-income, and alternative investments. Equity investments are diversified across United States and non-United States corporate stocks, as well as growth, value, and small and large capitalizations. Other assets such as real estate, private equity, and hedge funds are used to enhance long-term returns while improving portfolio diversification. Investment risk is measured and monitored on an ongoing basis through quarterly investment portfolio reviews, annual liability measurements, and periodic asset/liability studies.

As of December 31, 2019, UPMC employed 161 external investment managers to handle the investment of the assets in the pension portfolio. Of these, 23 managers manage equity investments, 11 manage fixed income investments, and 127 managers oversee alternative investment strategies. The largest allocation to any alternative investment manager is \$39,920 as of December 31, 2019. UPMC's unfunded commitments to the Plans' investments are \$348,810 and \$304,540 as of December 31, 2019 and 2018, respectively.

The following is a summary of the pension plan asset allocations at December 31, 2019 and 2018:

	2019	2018	2019 Target
Nonalternative investments:			
Fixed income	13.9%	16.0%	13.0%
Domestic equity	20.4%	20.7%	23.0%
International equity	21.9%	19.1%	22.0%
Total nonalternative investments	56.2%	55.8%	58.0%
Real assets:			
Real estate	2.7%	2.7%	4.0%
Income opportunities	2.2%	2.6%	2.0%
Natural resources	4.3%	5.0%	4.0%
Total real assets	9.2%	10.3%	10.0%
Alternative investments:			
Long/short equity	11.9%	10.3%	10.0%
Absolute return	6.2%	6.1%	7.0%
Private equity	16.5%	17.5%	15.0%
Total alternative investments	34.6%	33.9%	32.0%
Total	100.0%	100.0%	100.0%



All of the Plans' assets are measured at fair value, including its alternative investments. The same levels of the fair value hierarchy as described in Note 6 are used to categorize the Plans' assets. Corporate debt instruments and fixed income/bonds are valued using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows. The fair value of common/collective trust funds is determined by the issuer sponsoring such funds by dividing the fund's net assets at fair value by its units outstanding at the valuation dates. Partnership interests are valued using NAV, which is based on the unit values of the interests as determined by the issuer sponsoring such interests dividing the fund's net assets at fair value by its units outstanding at the valuation dates.

The fair values of the Plans' assets at December 31, 2019, by asset category and by the level of inputs used to determine fair value, were as follows:

	Level 1	Level 2	Level 3	NAV	Total
<b>ASSETS</b>					
Equity securities:					
Domestic equity	\$ 464,045	\$ 3,202	\$ -	\$ -	\$ 467,247
International equity	409,782	-	-	-	409,782
U.S. REITS	30,150	-	-	-	30,150
Fixed income:					
Government securities	-	27,607	-	-	27,607
Bond funds	190,768	-	-	-	190,768
Corporate debt instruments	-	30,130	-	-	30,130
Asset and mortgage-back securities	-	73,750	-	-	73,750
Long/short equity	48,788	-	-	-	48,788
Other investments	-	-	-	1,228,491	1,228,491
Net payables	648	-	-	-	648
Plans' assets at fair value	\$ 1,144,181	\$ 134,689	\$ -	\$ 1,228,491	\$ 2,507,361

The fair values of the Plans' assets at December 31, 2018, by asset category and by the level of inputs used to determine fair value, were as follows:

	Level 1	Level 2	Level 3	NAV	Total
<b>ASSETS</b>					
Equity securities:					
Domestic equity	\$ 72,515	\$ -	\$ -	\$ -	\$ 72,515
International equity	155,169	-	-	-	155,169
U.S. REITS	23,390	-	-	-	23,390
Fixed income:					
Government securities	32,091	-	-	-	32,091
Corporate debt instruments	2,295	43,770	-	-	46,065
Asset and mortgage-back securities	-	81,726	-	-	81,726
Long/short equity	38,960	-	-	-	38,960
Other investments	-	-	-	1,679,614	1,679,614
Net payables	2,426	-	-	-	2,426
Plans' assets at fair value	\$ 326,846	\$ 125,496	\$ -	\$ 1,679,614	\$ 2,131,956

## 8. HEALTH INSURANCE REVENUE AND COSTS

Health care costs were \$9,072,826 and \$7,716,832, of which \$2,149,274 and \$2,004,807 were eliminated in consolidation representing medical services performed by other UPMC entities for the years ended December 31, 2019 and 2018, respectively. Such costs are included in insurance claims expense. These costs include estimates of payments to be made on claims reported as of the balance sheet date and estimates of health care services rendered but not reported to the Health Plans. Such estimates include the cost of services that will continue to be rendered after the balance sheet date when the Health Plans are obligated to remit payment for such services in accordance with contract provisions or regulatory requirements.

	2019	2018
Reserve for physical health care costs (beginning balance)	\$ 406,040	\$ 343,804
Add: Provisions for medical costs occurring in:		
Current year	8,232,994	6,817,032
Prior year	24,210	(27,802)
Net incurred medical costs	8,257,204	6,789,230
Deduct: Payments for claims occurring in:		
Current year	7,741,510	6,411,538
Prior year	428,003	315,456
Net paid medical costs	8,169,513	6,726,994
Reserve for physical health care costs (ending balance)	\$ 493,731	\$ 406,040

The foregoing rollforward shows unfavorable development of \$24,210 and favorable development of \$27,802 for the years ended December 31, 2019 and 2018, respectively. The reserve for health care costs and claims adjustment expenses was based on the best data available to UPMC; however, these estimates are subject to a degree of inherent variability. It is possible that UPMC's actual incurred costs and claim adjustment expenses will not conform to the assumptions inherent in the determination of the liability; accordingly, the ultimate settlement of health care costs and the related claims adjustment expenses may vary from the estimates included in the financial statements.

Incurred claims development, for the years ended December 31, 2019, 2018 and 2017 are as follows:

	(Unaudited) December 31, 2017	(Unaudited) December 31, 2018	December 31, 2019
December 31, 2017	\$ 5,680,992	\$ 5,653,190	\$ 5,653,190
December 31, 2018		6,817,032	6,841,242
December 31, 2019			8,232,994
			\$ 20,727,426

Paid claims development, for the years ended December 31, 2019, 2018 and 2017 are as follows:

	(Unaudited) December 31, 2017	(Unaudited) December 31, 2018	December 31, 2019
December 31, 2017	\$ 5,337,188	\$ 5,652,644	\$ 5,653,190
December 31, 2018		6,411,538	6,838,995
December 31, 2019			7,741,510
			\$ 20,233,695

At December 31, 2019, the total of incurred but not reported (IBNR) liabilities plus expected development on reported claims and the cumulative number of reported claims for the years ended December 31, 2019, 2018 and 2017 are as follows:

	<b>Total IBNR and Expected Development on Reported Claims</b>	<b>(Unaudited) Cumulative Number of Reported Claims*</b>
December 31, 2017	\$ -	18,092
December 31, 2018	2,247	21,571
December 31, 2019	491,484	24,459
<b>Total</b>	<b>\$ 493,731</b>	<b>64,122</b>

\* In thousands

The cumulative number of reported claims for each claim year have been developed using historical data captured by UPMC's claims payment system and data warehouse.

Net assets without donor restrictions required to meet statutory requirements of the Health Plans were \$1,088,955 and \$939,123 at December 31, 2019 and 2018, respectively.

## **9. PROFESSIONAL AND GENERAL LIABILITY INSURANCE**

UPMC is insured for professional and general liability losses through wholly owned, multiprovider insurance companies (the "Captives"). The Captives provide primary and excess professional liability coverage to UPMC subsidiaries, employed physicians of UPMC, and other entities not included in the consolidated financial statements. For those self-insured risks, UPMC has established irrevocable trust funds to pay claims and related costs.

Certain insurance agreements have retrospective clauses that permit additional premiums or refunds to be made based on actual experience. The reserve for professional and general liability indemnity losses and loss adjustment expenses is determined using individual case-based evaluations and statistical analyses and represents an estimate of reported claims and claims incurred but not reported. Those estimates are subject to the effects of trends in loss severity and frequency. Although considerable variability is inherent in such estimates, management believes that the reserves for professional and general liability losses and loss adjustment expenses are reasonable. The estimates are reviewed and adjusted as necessary as experience develops or new information becomes known. Such adjustments are included in current operations. Reserves for professional and general liability losses and loss adjustment expenses of \$393,400 and \$372,767, discounted at 2.25% and 2.50%, were recorded as of December 31, 2019 and 2018, respectively. At December 31, 2019 and 2018, respectively, \$82,991 and \$83,018 of the loss reserves are included in current portion of insurance reserves and \$310,409 and \$289,749 are included in long-term insurance reserves.

The following table provides a rollforward of the reserve balances for professional and general liability costs for the years ended December 31, 2019 and 2018.

	2019	2018
Reserve for professional and general liability costs (beginning balance)	\$ 372,767	\$ 358,784
Add: Provisions for expenses occurring in:		
Current year	95,642	92,528
Prior year	(3,864)	(8,448)
Net incurred expenses	91,778	84,080
Deduct: Payments for expenses occurring in:		
Current year	(216)	(252)
Prior year	(85,526)	(69,845)
Net paid expenses	(85,742)	(70,097)
Other reserves	14,597	-
Reserve for professional and general liability costs (ending balance)	\$ 393,400	\$ 372,767

The foregoing rollforward shows favorable development of \$3,864 and \$8,448 for the years ended December 31, 2019 and 2018, respectively.

The following table provides undiscounted information for claims development for incurred losses and paid claim loss by accident year for the year ended December 31, 2019. The information about incurred and paid claims development for the years ended December 2010 to 2018, is presented as supplementary information. For the reported development, the adequacy of case reserves has been consistent and favorable over time, and there have been no significant changes in the rate at which claims have been reported. For the paid development, the rate of payment of claims has been relatively consistent over time.

#### DIRECT CLAIM LOSS INCURRED

Accident Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
	Unaudited									
2010	\$ 57,537	\$ 56,457	\$ 46,104	\$ 47,951	\$ 48,155	\$ 43,635	\$ 44,317	\$ 41,050	\$ 41,298	\$ 40,757
2011	-	68,131	72,215	67,932	62,133	63,747	61,841	63,529	64,870	66,032
2012	-	-	78,082	86,177	81,507	75,921	74,831	77,367	74,732	71,171
2013	-	-	-	77,146	79,850	72,831	68,055	72,144	68,116	68,529
2014	-	-	-	-	86,191	84,910	83,562	78,108	75,644	73,443
2015	-	-	-	-	-	96,593	102,111	89,569	88,801	83,033
2016	-	-	-	-	-	-	90,844	94,155	91,655	84,615
2017	-	-	-	-	-	-	-	100,732	99,428	104,403
2018	-	-	-	-	-	-	-	-	100,781	97,451
2019	-	-	-	-	-	-	-	-	-	103,995
	Total									\$ 793,429

## DIRECT CLAIM LOSS PAID

Accident Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
					Unaudited					
2010	\$ 965	\$ 2,784	\$ 8,006	\$ 19,672	\$ 26,302	\$ 29,939	\$ 32,638	\$ 35,279	\$ 38,560	\$ 38,929
2011	-	1,152	3,234	10,556	20,488	35,104	39,791	49,012	54,634	64,142
2012	-	-	1,029	6,777	16,334	27,212	47,768	57,588	62,641	66,886
2013	-	-	-	353	5,861	12,020	28,016	42,775	49,807	56,494
2014	-	-	-	-	467	7,771	16,949	40,736	48,191	57,372
2015	-	-	-	-	-	355	16,914	26,838	43,634	58,646
2016	-	-	-	-	-	-	446	6,375	14,220	27,736
2017	-	-	-	-	-	-	-	1,610	10,168	27,867
2018	-	-	-	-	-	-	-	-	251	3,555
2019	-	-	-	-	-	-	-	-	-	216
									<b>Total</b>	<b>\$ 401,843</b>

**Net reserves** **\$ 391,586**

Prior period reserves 8,647

Other reserves 14,597

Directors and officers reserves 1,339

Discount adjustment (22,769)

**Total reserves** **\$ 393,400**

## AVERAGE ANNUAL PERCENTAGE PAYOUT OF INCURRED CLAIMS (UNAUDITED)

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
1.0%	8.0%	11.5%	21.0%	19.5%	10.5%	9.4%	7.0%	11.2%	0.9%

In addition, the following table shows the total of IBNR plus expected development on reported claims by accident year and the cumulative number of reported claims by accident year. The cumulative number of reported claims are counted on a per occurrence and per coverage basis. Claim counts include open claims, claims that have been paid and closed, and asserted reported claims that have been closed without the need for any payment.

Accident Year	Incurred Claim Loss and Adjustment Expenses for the Year Ended December 31, 2019	Total Incurred But Not Reported as of December 31, 2019	Cumulative Number of Claims Reported as of December 31, 2019
2010	40,757	-	273
2011	66,032	-	331
2012	71,171	694	316
2013	68,529	3,816	296
2014	73,443	4,767	279
2015	83,033	12,329	322
2016	84,615	36,285	285
2017	104,403	43,752	284
2018	97,451	77,234	191
2019	103,995	97,845	132

The methodology for reserving and determining the reserve for loss and loss adjustment expenses, IBNR reserves, considers, among other things, the line of business, the number of years of experience and the age of the experience year being developed.

Loss development factors are also applied to the current evaluations of losses to project the ultimate incurred losses arising from each period of coverage. The selected loss development factors are based on the historical loss experience of UPMC. Therefore, it is assumed that the selected loss development factors coupled with UPMC's experience and actuarial support are appropriate to project the loss development that will be experienced.

The reserve for costs and claims adjustment expenses was based on the best data available to UPMC; however, these estimates are subject to a degree of inherent variability. It is possible that UPMC's actual incurred costs and claim adjustment expenses will not conform to the assumptions inherent in the determination of the liability; accordingly, the ultimate settlement of costs and the related claims adjustment expenses may vary from the estimates included in the financial statements.

The Medical Care Availability and Reduction of Error ("MCARE") Act was enacted by the legislature of the Commonwealth of Pennsylvania ("Commonwealth") in 2002. This Act created the MCARE Fund, which replaced The Pennsylvania Medical Professional Liability Catastrophe Loss Fund (the "Medical CAT Fund"), as the agency for the Commonwealth to facilitate the payment of medical malpractice claims exceeding the primary layer of professional liability insurance carried by UPMC and other health care providers practicing in the Commonwealth.

The MCARE Fund is funded on a "pay as you go basis" and assesses health care providers based on a percentage of the rates established by the Joint Underwriting Association (also a Commonwealth agency) for basic coverage. The MCARE Act of 2002 provides for a further reduction to the current MCARE coverage of \$500 per occurrence to \$250 per occurrence and the eventual phaseout of the MCARE Fund, subject to the approval of the Pennsylvania Insurance Commissioner. To date, the Pennsylvania Insurance Commissioner has deferred the change in coverage and eventual phaseout of the MCARE Fund to future years.

## **10. RELATED-PARTY TRANSACTIONS**

UPMC monitors its relationships with related or affiliated entities on an ongoing basis. The most significant of these relationships is with the University in which UPMC purchases and sells certain services from and to the University. The most significant payment to the University is for physician services in which the University, acting as a common paymaster, invoices UPMC for the clinical services rendered by certain faculty and medical residents. Payments to the University related to physician services amounted to \$221,321 and \$205,998 for the years ended December 31, 2019 and 2018, respectively. UPMC provides direct financial support to the University to sustain the research and academic medical enterprise of the University. Payments to the University related to research and academic support amounted to \$177,058 and \$144,707 for the years ended December 31, 2019 and 2018, respectively.

UPMC has various facility rental agreements with the University. UPMC received rent income of \$24,456 and \$23,640 and incurred rent expense of \$10,051 and \$10,061 related to rental arrangements with the University for the years ended December 31, 2019 and 2018, respectively. These rental agreements are also included in Note 11.

The University subcontracts with UPMC to perform research activity. Payments from the University related to research activity were \$32,620 and \$32,650 for the years ended December 31, 2019 and 2018, respectively.

## 11. LEASES

UPMC has operating and finance leases for corporate offices, physician offices and various equipment types, among others. These lease arrangements have remaining lease terms of 1 year to 25 years, some of which include options to extend the leases for several periods, and some of which include options to terminate the leases within one year. The components of lease expense were as follows:

	Year Ended December 31, 2019
Finance lease cost:	
Depreciation of right-of-use assets	\$ 23,666
Interest on lease liabilities	3,108
Total finance lease cost	26,774
Operating lease cost	150,571
Short-term/variable lease cost	41,216
Total	\$ 218,561

Supplemental balance sheet information related to leases was as follows:

	As of December 31 2019
<b>OPERATING LEASES</b>	
Operating lease right-of-use assets	\$ 1,080,715
Other current liabilities	123,326
Operating lease liabilities	1,010,207
Total operating lease liabilities	\$ 1,133,533
<b>FINANCE LEASES</b>	
Property, plant and equipment, net	\$ 84,591
Other current liabilities	22,051
Other noncurrent liabilities	61,816
Total finance lease liabilities	\$ 83,867
<b>WEIGHTED AVERAGE REMAINING LEASE TERM</b>	
Operating leases	13.4 years
Finance leases	2.9 years
<b>WEIGHTED AVERAGE DISCOUNT RATE</b>	
Operating leases	3.1%
Finance leases	2.7%

Cash flows in 2019 were materially consistent with expenses. Undiscounted maturities of future lease liabilities were as follows:

For the Years Ended December 31	Operating Leases	Finance Leases
2020	\$ 148,594	\$ 23,442
2021	132,611	20,090
2022	122,046	12,611
2023	117,327	4,915
2024	107,912	2,436
Thereafter	810,545	21,470
Total undiscounted maturities of lease liabilities	\$ 1,439,035	\$ 84,964
Less: discount on lease liabilities	(305,502)	(1,097)
Total lease liabilities	\$ 1,133,533	\$ 83,867

## 12. INCOME TAXES

UPMC calculates income taxes using the balance sheet method for its taxable subsidiaries. Taxable income differs from pretax book income principally due to certain income and deductions for tax purposes being recorded in the financial statements in different periods. Deferred income tax assets and liabilities are recorded for the tax effect of these differences using enacted tax rates for the years in which the differences are expected to reverse. UPMC assesses the realization of deferred tax assets and the need for a valuation allowance to reduce those assets to their net realizable value based on future operations, reversal of existing temporary differences, carryforward and carryback periods for credits and net operating losses, and potential tax planning strategies that may exist.

As of December 31, 2019, the for-profit entities of UPMC had gross federal net operating loss ("NOL") carryforwards of \$657,149 (expiring in years 2020 through 2037) and gross state NOL carryforwards of \$1,505,473 (expiring in years 2020 through 2039) that are available to offset future taxable income. Utilization of the state NOL carryforwards in any one year is limited to 40% of taxable income on an annual basis per company. During the calendar year ended December 31, 2019, UPMC realized tax benefits of \$9,354 from the use of NOL carryforwards.

The following is a reconciliation of income taxes computed at the statutory U.S. federal income tax rate to the actual effective income tax expense:

Years Ended December 31	2019	2018
Taxes computed at the federal rate	\$ 8,322	\$ 6,790
State income taxes, net of federal tax benefit	3,905	5,416
Valuation allowance	(7,140)	(6,980)
Permanent differences	174	6,480
Other items, net	(361)	4,897
Income tax expense	\$ 4,900	\$ 16,603



The following table presents deferred tax assets as of December 31, 2019 and 2018:

	2019	2018
Deferred tax assets:		
Net operating losses	\$ 250,459	\$ 258,183
Accrued benefits	13,611	13,590
Other	19,695	20,733
	<b>283,765</b>	292,506
Less valuation allowance	<b>(283,765)</b>	(292,506)
	<b>\$ -</b>	<b>\$ -</b>

Tax benefits are recognized when it is more likely than not that a tax position will be sustained upon examination by the tax authorities based on the technical merits of the position. Such tax positions are measured as the largest amount of tax benefit that is greater than 50% likely to be realized upon ultimate settlement with the tax authorities assuming full knowledge of the position and all relevant facts. As of December 31, 2019, there were no uncertain tax positions. Certain of UPMC's subsidiaries are subject to taxation in the United States and foreign jurisdictions. As of December 31, 2019, UPMC's returns for the fiscal years ended June 30, 2016 and 2017, the short period ended December 31, 2017, and the calendar year ended December 31, 2018 are open for examination by the various taxing authorities.

### 13. FUNCTIONAL EXPENSES

UPMC provides general health care services primarily to residents within its geographic locations and supports related research and education programs. For the years ended December 31, 2019 and 2018, expenses related to providing these services were as follows:

#### FOR THE YEAR ENDED DECEMBER 31, 2019

	Hospital & health care services	Insurance services	Academic & research activities	UPMC Enterprises activity	Admin support	Total
Salaries, professional fees and employee benefits	\$ 5,762,048	\$ 462,795	\$ 236,385	\$ -	\$ 838,346	\$ 7,299,574
Insurance claims expense	-	6,923,552	-	-	-	6,923,552
Supplies, purchased services and general	4,358,897	705,207	209,966	-	447,256	5,721,326
Depreciation and amortization	474,166	15,073	-	-	148,960	638,199
Income tax expense	-	-	-	-	4,900	4,900
Interest expense	151,536	-	-	-	-	151,536
Portfolio company and development expense	-	-	42,649	169,208	-	211,857
	<b>\$ 10,746,647</b>	<b>\$ 8,076,627</b>	<b>\$ 489,000</b>	<b>\$ 169,208</b>	<b>\$ 1,439,462</b>	<b>\$ 20,920,944</b>

## FOR THE YEAR ENDED DECEMBER 31, 2018

	Hospital & health care services	Insurance services	Academic & research activities	UPMC Enterprises activity	Admin support	Total
Salaries, professional fees and employee benefits	\$ 5,536,289	\$ 387,620	\$ 211,168	\$ -	\$ 730,534	\$ 6,865,611
Insurance claims expense	-	5,712,025	-	-	-	5,712,025
Supplies, purchased services and general	4,087,029	731,155	255,908	-	407,285	5,481,377
Depreciation and amortization	466,381	29,469	-	-	128,538	624,388
Income tax expense	-	-	-	-	16,603	16,603
Interest expense	162,782	-	-	-	-	162,782
Portfolio company and development expense	-	-	29,597	157,525	-	187,122
	\$ 10,252,481	\$ 6,860,269	\$ 496,673	\$ 157,525	\$ 1,282,960	\$ 19,049,908

## 14. UPMC ENTERPRISES ACTIVITY

UPMC Enterprises conducts research, development and innovation activities on behalf of UPMC primarily focused on technologies for use in the healthcare industry to lower costs and improve care; such activities are expensed as incurred. From time to time, UPMC invests in companies that are developing technologies that align with its strategic imperatives, including companies that are not yet at the commercialization stage. UPMC's level of investment is dependent on numerous strategic considerations and may provide either a controlling or a non-controlling ownership interest. UPMC Enterprises also seeks partnerships with external companies to accelerate commercial growth of innovation activities, which may include the sale of internally developed technology solutions. Leveraging UPMC's long-standing reputation for academic and research excellence, UPMC Enterprises also sponsors the translation of basic science conducted in a research setting to its commercial use in bedside clinical practice, application in medical laboratories, or use across emerging venues where medicine is delivered; such activities are expensed as incurred.

UPMC Enterprises activity is comprised of the following for the years ended December 31:

	2019	2018
Technology research and development costs	\$ (81,432)	\$ (76,709)
Investments in translational science	(46,430)	(34,067)
Revenue from portfolio companies with controlling interest	28,013	24,682
Expenses of portfolio companies with controlling interest	(80,723)	(46,239)
Net loss from non-controlling interest in portfolio companies	(3,272)	(30,107)
Net gains from sale of technology-related assets	47,401	29,273
UPMC Enterprises activity	\$ (136,443)	\$ (133,167)

## 15. CONTINGENCIES

On October 9, 2012, UPMC received a Civil Investigative Demand (“CID”) from the Department of Justice (“DOJ”) that sought records relating to 40 surgical procedures performed between January 25, 2008 and June 24, 2010. UPMC timely responded to that CID. In November 2013, the DOJ advised UPMC that the CID had been served as part of the DOJ’s investigation of allegations asserted by Relators in a federal qui tam lawsuit filed under seal. On July 27, 2016, the DOJ announced that it had reached an agreement with UPMC to settle certain allegations that UPMC had violated the False Claims Act for approximately \$2,500. UPMC admitted no liability in settling those claims. The DOJ declined to intervene in the remaining allegations of the Relators’ lawsuit, which was also unsealed on July 27, 2016. In their Second Amended Complaint against UPMC and UPP, Inc., Relators allege that UPMC violated the False Claims Act violations, by overpaying physicians and encouraging physicians to perform medically unnecessary procedures. On March 27, 2018, the Court granted UPMC’s motion to dismiss all claims with prejudice. On September 17, 2019, the Third Circuit Court of Appeals reversed the Court’s Order. On December 20, 2019, the Third Circuit vacated its September 17, 2019 Order and issued a new Order that also reversed the trial court’s dismissal Order. On January 28, 2020, UPMC answered the Second Amended Complaint. The outcome and ultimate effect on UPMC’s financial condition cannot be determined at this time.

In May 2015, PCS sued UPMC Health Network, UPMC Benefit Management Services, UPMC Health Benefits, and a PCS competitor in the United States District Court for the Western District of Pennsylvania, asserting four antitrust related claims. In August 2015, PCS filed an amended complaint, removing UPMC Health Network and adding UPMC, a Pennsylvania nonprofit nonstock corporation as a party. On March 27, 2019, the Court granted summary judgment for the UPMC defendants on all counts. PCS has appealed and the UPMC defendants have opposed that appeal. The outcome and ultimate effect on UPMC’s financial condition cannot be determined at this time.

On June 14, 2019, Homestead Strategic Holdings Inc. and certain of its subsidiaries filed a Complaint with the Pennsylvania Department of State challenging the Institution of Purely Public Charity Act status of UPMC, UPMC Health Coverage, Inc. and UPMC Susquehanna and is seeking arbitration of its claims. The UPMC Defendants are opposing the Complaint. An arbitration is scheduled for May 2020. The outcome and ultimate effect on UPMC’s financial condition cannot be determined at this time.

On July 29, 2019, UPMC received two grand jury subpoenas and an unexecuted search warrant from the DOJ seeking various records from one of UPMC’s clinical departments. UPMC is complying with the subpoenas and search warrant. The outcome and ultimate effect on UPMC’s financial condition cannot be determined at this time.

On January 24, 2020, a putative class action lawsuit was filed against UPMC in the Court of Common Pleas of Allegheny County, Pennsylvania. The state court action alleges unauthorized disclosures of provider-patient communications and violations of the Pennsylvania Wiretapping and Electronic Surveillance Control Act, the Pennsylvania Unfair Trade Practices and Consumer Protection Law, and common law. UPMC plans to zealously defend against the claims. The outcome and ultimate effect on UPMC’s financial condition cannot be determined at this time.

## 16. SUBSEQUENT EVENTS

Management evaluated events occurring subsequent to December 31, 2019 through February 25, 2020, the date the audited consolidated financial statements of UPMC were available to be issued. During this period, there were no subsequent events requiring recognition or disclosure in the consolidated financial statements except as noted below.

On February 1, 2020, UPMC completed its affiliation with the Western Maryland Health System (“WMHS”). As part of the affiliation arrangement, UPMC defeased certain debt held by WMHS and issued \$210,495 of taxable notes in February 2020. It is not practicable to disclose the preliminary purchase price allocation for this transaction given the timing between the completion of the affiliation and the issuance of the audited consolidated financial statements.

## Supplementary Information

UPMC  
SCHEDULE OF EXPENDITURES OF FEDERAL, STATE, AND COUNTY AWARDS  
Fiscal Period 1/1/2019 - 12/31/2019

<i>Federal Awarding Agency/Program Title</i>	<i>Federal CFDA Number</i>	<i>Additional Award Identification</i>	<i>Name of Funder Pass-Through Entity</i>	<i>Identifying Number Assigned By Funder Pass-Through Entity</i>	<i>Total Amount Provided to Sub-Recipients</i>	<i>Federal Expenditures</i>	<i>Federal Program Total</i>	<i>Cluster Name</i>	<i>Cluster Total</i>
DEPARTMENT OF AGRICULTURE									
SPECIAL SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANTS, AND CHILDREN	10.557		PA DEPT OF HEALTH	4100078052 R1		\$826,532	\$1,045,040	N/A	\$0
SPECIAL SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANTS, AND CHILDREN	10.557		PA DEPT OF HEALTH	4100078052 R2		\$218,508	\$1,045,040	N/A	\$0
WIC FARMERS' MARKET NUTRITION PROGRAM (FMNP)	10.572	4100078141	PA DEPT OF AGRICULTURE	ME 44176156		\$5,809	\$5,809	N/A	\$0
TOTAL DEPARTMENT OF AGRICULTURE						\$1,050,849			
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT									
CONTINUUM OF CARE PROGRAM	14.267	PA0184L3E091714				\$100,673	\$3,503,346	N/A	\$0
CONTINUUM OF CARE PROGRAM	14.267	PA0593L3E001702	ALLEGHENY CTY DEPT OF HUMAN SERVICES	218680		\$132,194	\$3,503,346	N/A	\$0
CONTINUUM OF CARE PROGRAM	14.267	PA0408L3E001708	ALLEGHENY CTY DEPT OF HUMAN SERVICES	218892		\$132,419	\$3,503,346	N/A	\$0
CONTINUUM OF CARE PROGRAM	14.267	PA0258L3E001710	ALLEGHENY CTY DEPT OF HUMAN SERVICES	220083		\$82,456	\$3,503,346	N/A	\$0
CONTINUUM OF CARE PROGRAM	14.267	PA0242L3E001705	ALLEGHENY CTY DEPT OF HUMAN SERVICES	221332		\$540,784	\$3,503,346	N/A	\$0
CONTINUUM OF CARE PROGRAM	14.267	PA0746L3E001702	ALLEGHENY CTY DEPT OF HUMAN SERVICES	221685		\$159,636	\$3,503,346	N/A	\$0
CONTINUUM OF CARE PROGRAM	14.267	PA0836L3E001701	ALLEGHENY CTY DEPT OF HUMAN SERVICES	221693		\$196,567	\$3,503,346	N/A	\$0
CONTINUUM OF CARE PROGRAM	14.267	PA0266L3E001710	ALLEGHENY CTY DEPT OF HUMAN SERVICES	221695		\$626,825	\$3,503,346	N/A	\$0
CONTINUUM OF CARE PROGRAM	14.267	PA0243L3E001705	ALLEGHENY CTY DEPT OF HUMAN SERVICES	221763		\$707,407	\$3,503,346	N/A	\$0
CONTINUUM OF CARE PROGRAM	14.267	PA0408U3E001809	ALLEGHENY CTY DEPT OF HUMAN SERVICES	231098		\$174,561	\$3,503,346	N/A	\$0
CONTINUUM OF CARE PROGRAM	14.267	PA0593U3E001803	ALLEGHENY CTY DEPT OF HUMAN SERVICES	231245		\$258,114	\$3,503,346	N/A	\$0
CONTINUUM OF CARE PROGRAM	14.267	PA0258U3E001811	ALLEGHENY CTY DEPT OF HUMAN SERVICES	231452		\$159,091	\$3,503,346	N/A	\$0
CONTINUUM OF CARE PROGRAM	14.267	PA0242U3E001806	ALLEGHENY CTY DEPT OF HUMAN SERVICES	237696		\$51,379	\$3,503,346	N/A	\$0
CONTINUUM OF CARE PROGRAM	14.267	PA0243U3E001806	ALLEGHENY CTY DEPT OF HUMAN SERVICES	237805		\$70,073	\$3,503,346	N/A	\$0
CONTINUUM OF CARE PROGRAM	14.267	PA0266U3E001811	ALLEGHENY CTY DEPT OF HUMAN SERVICES	238113		\$67,364	\$3,503,346	N/A	\$0
CONTINUUM OF CARE PROGRAM	14.267	PA0836U3E001802	ALLEGHENY CTY DEPT OF HUMAN SERVICES	238116		\$37,203	\$3,503,346	N/A	\$0
CONTINUUM OF CARE PROGRAM	14.267	PA0746U3E001803	ALLEGHENY CTY DEPT OF HUMAN SERVICES	238350		\$6,600	\$3,503,346	N/A	\$0
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT						\$3,503,346			
DEPARTMENT OF JUSTICE									
CRIME VICTIM ASSISTANCE	16.575		PA COMMISSION ON CRIME AND DELINQUENCY	2016-VF-05-27053		\$57,908	\$558,248	N/A	\$0
CRIME VICTIM ASSISTANCE	16.575		PA COMMISSION ON CRIME AND DELINQUENCY	2017-VF-05 28258		\$123,621	\$558,248	N/A	\$0
CRIME VICTIM ASSISTANCE	16.575		PA COMMISSION ON CRIME AND DELINQUENCY	2017/2018-VF-05 29252		\$11,977	\$558,248	N/A	\$0
CRIME VICTIM ASSISTANCE	16.575		PA COMMISSION ON CRIME AND DELINQUENCY	2018-VF-05 29213		\$9,149	\$558,248	N/A	\$0
CRIME VICTIM ASSISTANCE	16.575		PA COMMISSION ON CRIME AND DELINQUENCY	2018-VF-05 31100		\$9,223	\$558,248	N/A	\$0
CRIME VICTIM ASSISTANCE	16.575		PA COMMISSION ON CRIME AND DELINQUENCY	2015/2016-VF-05 26686		\$78,281	\$558,248	N/A	\$0
CRIME VICTIM ASSISTANCE	16.575		PA COMMISSION ON CRIME AND DELINQUENCY	2017-VF-05 28095		\$158,505	\$558,248	N/A	\$0
CRIME VICTIM ASSISTANCE	16.575		PA COMMISSION ON CRIME AND DELINQUENCY	2017/2018-VF-05 28986		\$51,043	\$558,248	N/A	\$0
CRIME VICTIM ASSISTANCE	16.575		PA COMMISSION ON CRIME AND DELINQUENCY	2016/2017/2018-VF-05 28987		\$3,459	\$558,248	N/A	\$0
CRIME VICTIM ASSISTANCE	16.575		PA COMMISSION ON CRIME AND DELINQUENCY	2018-VF-05 30918		\$55,082	\$558,248	N/A	\$0
TOTAL DEPARTMENT OF JUSTICE						\$558,248			

<i>Federal Awarding Agency/Program Title</i>	<i>Federal CFDA Number</i>	<i>Additional Award Identification</i>	<i>Name of Funder Pass-Through Entity</i>	<i>Identifying Number Assigned By Funder Pass-Through Entity</i>	<i>Total Amount Provided to Sub-Recipients</i>	<i>Federal Expenditures</i>	<i>Federal Program Total</i>	<i>Cluster Name</i>	<i>Cluster Total</i>
NATIONAL SCIENCE FOUNDATION									
COMPUTER AND INFORMATION SCIENCE AND ENGINEERING	47.070	1838627	UNIVERSITY OF PITTSBURGH	CNVA00061948 (012297-1)		\$5,519	\$5,519	N/A	\$0
TOTAL NATIONAL SCIENCE FOUNDATION						\$5,519			
DEPARTMENT OF VETERANS AFFAIRS									
POST-9/11 VETERANS EDUCATIONAL ASSISTANCE	64.028					\$14,059	\$154,638	N/A	\$0
POST-9/11 VETERANS EDUCATIONAL ASSISTANCE	64.028					\$69,371	\$154,638	N/A	\$0
POST-9/11 VETERANS EDUCATIONAL ASSISTANCE	64.028					\$46,939	\$154,638	N/A	\$0
POST-9/11 VETERANS EDUCATIONAL ASSISTANCE	64.028					\$24,269	\$154,638	N/A	\$0
VOCATIONAL REHABILITATION FOR DISABLED VETERANS	64.116					\$15,315	\$15,315	N/A	\$0
TOTAL DEPARTMENT OF VETERANS AFFAIRS						\$169,953			
DEPARTMENT OF EDUCATION									
FEDERAL PELL GRANT PROGRAM	84.063					\$108,260	\$1,087,331	STUDENT FINANCIAL ASSISTANCE	\$5,500,438
FEDERAL PELL GRANT PROGRAM	84.063					\$316,042	\$1,087,331	STUDENT FINANCIAL ASSISTANCE	\$5,500,438
FEDERAL PELL GRANT PROGRAM	84.063					\$449,565	\$1,087,331	STUDENT FINANCIAL ASSISTANCE	\$5,500,438
FEDERAL PELL GRANT PROGRAM	84.063					\$213,464	\$1,087,331	STUDENT FINANCIAL ASSISTANCE	\$5,500,438
SPECIAL EDUCATION-GRANTS FOR INFANTS AND FAMILIES	84.181		BLAIR CTY DEPT OF SOCIAL SERVICES	N/A		-\$45,692	\$104,540	N/A	\$0
SPECIAL EDUCATION-GRANTS FOR INFANTS AND FAMILIES	84.181		CUMBERLAND-PERRY COUNTIES	E118-0005		\$92,556	\$104,540	N/A	\$0
SPECIAL EDUCATION-GRANTS FOR INFANTS AND FAMILIES	84.181		CUMBERLAND-PERRY COUNTIES	E119-0005		\$57,676	\$104,540	N/A	\$0
FEDERAL DIRECT STUDENT LOANS	84.268					\$337,790	\$4,413,107	STUDENT FINANCIAL ASSISTANCE	\$5,500,438
FEDERAL DIRECT STUDENT LOANS	84.268					\$1,117,917	\$4,413,107	STUDENT FINANCIAL ASSISTANCE	\$5,500,438
FEDERAL DIRECT STUDENT LOANS	84.268					\$2,248,644	\$4,413,107	STUDENT FINANCIAL ASSISTANCE	\$5,500,438
FEDERAL DIRECT STUDENT LOANS	84.268					\$708,756	\$4,413,107	STUDENT FINANCIAL ASSISTANCE	\$5,500,438
TOTAL DEPARTMENT OF EDUCATION						\$5,604,978			
DEPARTMENT OF HEALTH AND HUMAN SERVICES									
COMPREHENSIVE COMMUNITY MENTAL HEALTH SERVICES FOR CHILDREN WITH SERIOUS EMOTIONAL DISTURBANCES (SED)	93.104		ERIE COUNTY	1904-011953		\$39,862	\$60,971	N/A	\$0
COMPREHENSIVE COMMUNITY MENTAL HEALTH SERVICES FOR CHILDREN WITH SERIOUS EMOTIONAL DISTURBANCES (SED)	93.104		ERIE COUNTY	2004-012027		\$21,109	\$60,971	N/A	\$0
PROJECTS FOR ASSISTANCE IN TRANSITION FROM HOMELESSNESS (PATH)	93.150		BLAIR CTY DEPT OF SOCIAL SERVICES	N/A		\$37,958	\$61,503	N/A	\$0
PROJECTS FOR ASSISTANCE IN TRANSITION FROM HOMELESSNESS (PATH)	93.150		BLAIR CTY DEPT OF SOCIAL SERVICES	N/A		\$23,545	\$61,503	N/A	\$0
COORDINATED SERVICES AND ACCESS TO RESEARCH FOR WOMEN, INFANTS, CHILDREN, AND YOUTH	93.153	H12HA26266			\$11,732	\$439,945	\$632,086	N/A	\$0
COORDINATED SERVICES AND ACCESS TO RESEARCH FOR WOMEN, INFANTS, CHILDREN, AND YOUTH	93.153	H12HA26266			\$5,005	\$192,141	\$632,086	N/A	\$0
FAMILY PLANNING_SERVICES	93.217		FAMILY HEALTH COUNCIL OF CENTRAL PA	N/A		\$40,380	\$82,850	N/A	\$0
FAMILY PLANNING_SERVICES	93.217		FAMILY HEALTH COUNCIL OF CENTRAL PA	N/A		\$42,470	\$82,850	N/A	\$0
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES_PROJECTS OF REGIONAL AND NATIONAL SIGNIFICANCE	93.243		ALLEGHENY CTY DEPT OF HUMAN SERVICES	223583		\$142,317	\$2,592,431	N/A	\$0
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES_PROJECTS OF REGIONAL AND NATIONAL SIGNIFICANCE	93.243		ALLEGHENY CTY DEPT OF HUMAN SERVICES	237459		\$51,777	\$2,592,431	N/A	\$0
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES_PROJECTS OF REGIONAL AND NATIONAL SIGNIFICANCE	93.243		COUNTY OF BERKS	ICA-212205-18		\$62,089	\$2,592,431	N/A	\$0
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES_PROJECTS OF REGIONAL AND NATIONAL SIGNIFICANCE	93.243		PA DEPT OF DRUG AND ALCOHOL	1H79TI080808-01		\$1,567,660	\$2,592,431	N/A	\$0
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES_PROJECTS OF REGIONAL AND NATIONAL SIGNIFICANCE	93.243	5H79TI080811	RESEARCH FOUNDATION FOR MENTAL HYGIENE, INC.	PO#140266		\$492,596	\$2,592,431	N/A	\$0
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES_PROJECTS OF REGIONAL AND NATIONAL SIGNIFICANCE	93.243	5H79TI080811	RESEARCH FOUNDATION FOR MENTAL HYGIENE, INC.	PO#145118		\$79,612	\$2,592,431	N/A	\$0
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES_PROJECTS OF REGIONAL AND NATIONAL SIGNIFICANCE	93.243		WESTMORELAND COUNTY	N/A		\$140,804	\$2,592,431	N/A	\$0
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES_PROJECTS OF REGIONAL AND NATIONAL SIGNIFICANCE	93.243	1H79SMO81196	YORK COUNTY	N/A		\$55,576	\$2,592,431	N/A	\$0
POISON CENTER SUPPORT AND ENHANCEMENT GRANT PROGRAM	93.253	H4BHS27389				\$255,707	\$255,707	N/A	\$0
SMALL RURAL HOSPITAL IMPROVEMENT GRANT PROGRAM	93.301		PA OFFICE OF RURAL HEALTH, PENN STATE UNIVERSITY	N/A		\$8,942	\$9,950	N/A	\$0
SMALL RURAL HOSPITAL IMPROVEMENT GRANT PROGRAM	93.301		PA OFFICE OF RURAL HEALTH, PENN STATE UNIVERSITY	N/A		\$1,008	\$9,950	N/A	\$0
PROMOTING SAFE AND STABLE FAMILIES	93.556		PA DEPT OF HUMAN SERVICES	4100067074		\$210,178	\$210,178	N/A	\$0
TEMPORARY ASSISTANCE FOR NEEDY FAMILIES	93.558		ALLEGHENY CTY DEPT OF HUMAN SERVICES	219073		-\$5,703	-\$2,763	TANF CLUSTER	-\$2,763
TEMPORARY ASSISTANCE FOR NEEDY FAMILIES	93.558		ALLEGHENY CTY DEPT OF HUMAN SERVICES	234768		\$2,940	-\$2,763	TANF CLUSTER	-\$2,763
CHILD CARE AND DEVELOPMENT BLOCK GRANT	93.575		YMCA OF GREATER PITTSBURGH	R02-18-19-0026	\$12,087	\$12,087	\$63,464	CCDF CLUSTER	\$63,464
CHILD CARE AND DEVELOPMENT BLOCK GRANT	93.575		YMCA OF GREATER PITTSBURGH	R02-18-19-0079		\$34,320	\$63,464	CCDF CLUSTER	\$63,464
CHILD CARE AND DEVELOPMENT BLOCK GRANT	93.575		YMCA OF GREATER PITTSBURGH	R02-18-19-0121		\$6,520	\$63,464	CCDF CLUSTER	\$63,464
CHILD CARE AND DEVELOPMENT BLOCK GRANT	93.575		YMCA OF GREATER PITTSBURGH	R02-18-19-0122		\$10,537	\$63,464	CCDF CLUSTER	\$63,464

Federal Awarding Agency/Program Title	Federal CFDA Number	Additional Award Identification	Name of Funder Pass-Through Entity	Identifying Number Assigned By Funder Pass-Through Entity	Total Amount Provided to Sub-Recipients	Federal Expenditures	Federal Program Total	Cluster Name	Cluster Total
COMMUNITY-BASED CHILD ABUSE PREVENTION GRANTS	93.590		LAWRENCE COUNTY	4100066956		\$12,681	\$12,681	N/A	\$0
HEAD START	93.600		PA DEPT OF HUMAN SERVICES	4100082354		\$605,471	\$605,471	N/A	\$0
AFFORDABLE CARE ACT INITIATIVE TO REDUCE AVOIDABLE HOSPITALIZATIONS AMONG NURSING FACILITY RESIDENTS	93.621	1E1CMS331491-01-00			\$856,240	\$4,949,155	\$4,949,155	N/A	\$0
FOSTER CARE_TITLE IV-E	93.658		ALLEGHENY CTY DEPT OF HUMAN SERVICES	219073		\$772,755	\$1,379,425	N/A	\$0
FOSTER CARE_TITLE IV-E	93.658		ALLEGHENY CTY DEPT OF HUMAN SERVICES	234768		\$661,858	\$1,379,425	N/A	\$0
FOSTER CARE_TITLE IV-E	93.658		ALLEGHENY CTY DEPT OF HUMAN SERVICES	222741		-\$140,105	\$1,379,425	N/A	\$0
FOSTER CARE_TITLE IV-E	93.658		ALLEGHENY CTY DEPT OF HUMAN SERVICES	238514		\$84,917	\$1,379,425	N/A	\$0
SOCIAL SERVICES BLOCK GRANT	93.667		ALLEGHENY CTY DEPT OF HUMAN SERVICES	222741		\$129,542	\$432,632	N/A	\$0
SOCIAL SERVICES BLOCK GRANT	93.667		ALLEGHENY CTY DEPT OF HUMAN SERVICES	222741		\$59,131	\$432,632	N/A	\$0
SOCIAL SERVICES BLOCK GRANT	93.667		ALLEGHENY CTY DEPT OF HUMAN SERVICES	223583		\$35,279	\$432,632	N/A	\$0
SOCIAL SERVICES BLOCK GRANT	93.667		ALLEGHENY CTY DEPT OF HUMAN SERVICES	237459		\$34,138	\$432,632	N/A	\$0
SOCIAL SERVICES BLOCK GRANT	93.667		ALLEGHENY CTY DEPT OF HUMAN SERVICES	238514		\$92,402	\$432,632	N/A	\$0
SOCIAL SERVICES BLOCK GRANT	93.667		ALLEGHENY CTY DEPT OF HUMAN SERVICES	238514		\$51,298	\$432,632	N/A	\$0
SOCIAL SERVICES BLOCK GRANT	93.667		BLAIR CTY DEPT OF SOCIAL SERVICES	N/A		\$113	\$432,632	N/A	\$0
SOCIAL SERVICES BLOCK GRANT	93.667		BLAIR CTY DEPT OF SOCIAL SERVICES	N/A		\$1,078	\$432,632	N/A	\$0
SOCIAL SERVICES BLOCK GRANT	93.667		BLAIR CTY DEPT OF SOCIAL SERVICES	N/A		\$7,396	\$432,632	N/A	\$0
SOCIAL SERVICES BLOCK GRANT	93.667		BLAIR CTY DEPT OF SOCIAL SERVICES	N/A		\$7,941	\$432,632	N/A	\$0
SOCIAL SERVICES BLOCK GRANT	93.667		FAMILY HEALTH COUNCIL OF CENTRAL PA	N/A		\$3,681	\$432,632	N/A	\$0
SOCIAL SERVICES BLOCK GRANT	93.667		FAMILY HEALTH COUNCIL OF CENTRAL PA	N/A		\$10,633	\$432,632	N/A	\$0
CHILDREN'S HEALTH INSURANCE PROGRAM	93.767		PA DEPT OF HUMAN SERVICES	4000018088		\$72,804,814	\$72,804,814	N/A	\$0
OPIOID STR	93.788		ALLEGHENY CTY DEPT OF HUMAN SERVICES	222741		\$42,705	\$955,749	N/A	\$0
OPIOID STR	93.788		ALLEGHENY CTY DEPT OF HUMAN SERVICES	223583		-\$58,976	\$955,749	N/A	\$0
OPIOID STR	93.788		ALLEGHENY CTY DEPT OF HUMAN SERVICES	237459		\$41,246	\$955,749	N/A	\$0
OPIOID STR	93.788		ALLEGHENY CTY DEPT OF HUMAN SERVICES	238514		\$8,339	\$955,749	N/A	\$0
OPIOID STR	93.788		BLAIR CTY DEPT OF SOCIAL SERVICES	N/A		-\$1,408	\$955,749	N/A	\$0
OPIOID STR	93.788		BLAIR CTY DEPT OF SOCIAL SERVICES	N/A		\$1,556	\$955,749	N/A	\$0
OPIOID STR	93.788	1H79T1081692	PA DEPT OF DRUG AND ALCOHOL	4100082798		\$106,241	\$955,749	N/A	\$0
OPIOID STR	93.788		PA DEPT OF HEALTH	4100081394		\$674,969	\$955,749	N/A	\$0
OPIOID STR	93.788		SOMERSET COUNTY	4100070771		\$141,077	\$955,749	N/A	\$0
HOSPITAL PREPAREDNESS PROGRAM (HPP) EBOLA PREPAREDNESS AND RESPONSE ACTIVITIES	93.817		PA DEPT OF HEALTH	4100070378		\$382,235	\$382,235	N/A	\$0
DIABETES, DIGESTIVE, AND KIDNEY DISEASES EXTRAMURAL RESEARCH	93.847	T0014-C06	UNIVERSITY OF SOUTH FLORIDA	DTP-1		\$6,762	\$28,184	RESEARCH AND DEVELOPMENT	\$28,184
DIABETES, DIGESTIVE, AND KIDNEY DISEASES EXTRAMURAL RESEARCH	93.847	1R01DK114115-01A1	UNIVERSITY OF SOUTH FLORIDA	00057719 (129976-1)		\$21,422	\$28,184	RESEARCH AND DEVELOPMENT	\$28,184
MATERNAL, INFANT, AND EARLY CHILDHOOD HOME VISITING PROGRAM	93.870		PA DEPT OF HUMAN SERVICES	4100070298		\$209,744	\$1,988,994	MATERNAL, INFANT, AND EARLY CHILDHOOD HOME VISITING CLUSTER	\$1,988,994
MATERNAL, INFANT, AND EARLY CHILDHOOD HOME VISITING PROGRAM	93.870		PA DEPT OF HUMAN SERVICES	4100070303		\$115,776	\$1,988,994	MATERNAL, INFANT, AND EARLY CHILDHOOD HOME VISITING CLUSTER	\$1,988,994
MATERNAL, INFANT, AND EARLY CHILDHOOD HOME VISITING PROGRAM	93.870		PA DEPT OF HUMAN SERVICES	4100070309		\$810,683	\$1,988,994	MATERNAL, INFANT, AND EARLY CHILDHOOD HOME VISITING CLUSTER	\$1,988,994
MATERNAL, INFANT, AND EARLY CHILDHOOD HOME VISITING PROGRAM	93.870		PA DEPT OF HUMAN SERVICES	4100070328		\$852,791	\$1,988,994	MATERNAL, INFANT, AND EARLY CHILDHOOD HOME VISITING CLUSTER	\$1,988,994
CANCER PREVENTION AND CONTROL PROGRAMS FOR STATE, TERRITORIAL AND TRIBAL ORGANIZATIONS	93.898		FAMILY HEALTH COUNCIL OF CENTRAL PA	N/A		\$4,636	\$20,515	N/A	\$0
CANCER PREVENTION AND CONTROL PROGRAMS FOR STATE, TERRITORIAL AND TRIBAL ORGANIZATIONS	93.898		FAMILY HEALTH COUNCIL OF CENTRAL PA	N/A		\$15,879	\$20,515	N/A	\$0
HIV CARE FORMULA GRANTS	93.917		JEWISH HEALTHCARE FOUNDATION	1819-2230		\$8,658	\$11,466	N/A	\$0
HIV CARE FORMULA GRANTS	93.917		JEWISH HEALTHCARE FOUNDATION	1920-2230		\$2,808	\$11,466	N/A	\$0
GRANTS TO PROVIDE OUTPATIENT EARLY INTERVENTION SERVICES WITH RESPECT TO HIV DISEASE	93.918	H76HA25775				\$802,093	\$1,890,235	N/A	\$0
GRANTS TO PROVIDE OUTPATIENT EARLY INTERVENTION SERVICES WITH RESPECT TO HIV DISEASE	93.918	H76HA25775			\$6,597	\$416,059	\$1,890,235	N/A	\$0
GRANTS TO PROVIDE OUTPATIENT EARLY INTERVENTION SERVICES WITH RESPECT TO HIV DISEASE	93.918	H76HA00617				\$429,597	\$1,890,235	N/A	\$0
GRANTS TO PROVIDE OUTPATIENT EARLY INTERVENTION SERVICES WITH RESPECT TO HIV DISEASE	93.918	H76HA31655			\$231,816	\$242,486	\$1,890,235	N/A	\$0
SPECIAL PROJECTS OF NATIONAL SIGNIFICANCE	93.928	H97HA27434				\$26,687	\$28,190	N/A	\$0
SPECIAL PROJECTS OF NATIONAL SIGNIFICANCE	93.928	H97HA28893	PENNSYLVANIA STATE UNIVERSITY	PHSH97HA28893		\$1,503	\$28,190	N/A	\$0
BLOCK GRANTS FOR COMMUNITY MENTAL HEALTH SERVICES	93.958		ALLEGHENY CTY DEPT OF HUMAN SERVICES	222741		\$46,797	\$1,317,478	N/A	\$0
BLOCK GRANTS FOR COMMUNITY MENTAL HEALTH SERVICES	93.958		ALLEGHENY CTY DEPT OF HUMAN SERVICES	223583		\$639,867	\$1,317,478	N/A	\$0



<i>Federal Awarding Agency/Program Title</i>	<i>Federal CFDA Number</i>	<i>Additional Award Identification</i>	<i>Name of Funder Pass-Through Entity</i>	<i>Identifying Number Assigned By Funder Pass-Through Entity</i>	<i>Total Amount Provided to Sub-Recipients</i>	<i>Federal Expenditures</i>	<i>Federal Program Total</i>	<i>Cluster Name</i>	<i>Cluster Total</i>
BLOCK GRANTS FOR COMMUNITY MENTAL HEALTH SERVICES	93.958		ALLEGHENY CTY DEPT OF HUMAN SERVICES	237459		\$166,084	\$1,317,478	N/A	\$0
BLOCK GRANTS FOR COMMUNITY MENTAL HEALTH SERVICES	93.958		ALLEGHENY CTY DEPT OF HUMAN SERVICES	238514		\$63,501	\$1,317,478	N/A	\$0
BLOCK GRANTS FOR COMMUNITY MENTAL HEALTH SERVICES	93.958		BLAIR CTY DEPT OF SOCIAL SERVICES	N/A		\$73,036	\$1,317,478	N/A	\$0
BLOCK GRANTS FOR COMMUNITY MENTAL HEALTH SERVICES	93.958		BLAIR CTY DEPT OF SOCIAL SERVICES	N/A		\$59,142	\$1,317,478	N/A	\$0
BLOCK GRANTS FOR COMMUNITY MENTAL HEALTH SERVICES	93.958		ERIE COUNTY	1904-011953		\$149,918	\$1,317,478	N/A	\$0
BLOCK GRANTS FOR COMMUNITY MENTAL HEALTH SERVICES	93.958		ERIE COUNTY	2004-012027		\$119,133	\$1,317,478	N/A	\$0
BLOCK GRANTS FOR PREVENTION AND TREATMENT OF SUBSTANCE ABUSE	93.959		ALLEGHENY CTY DEPT OF HUMAN SERVICES	222741		\$196,219	\$1,437,142	N/A	\$0
BLOCK GRANTS FOR PREVENTION AND TREATMENT OF SUBSTANCE ABUSE	93.959		ALLEGHENY CTY DEPT OF HUMAN SERVICES	223583		\$432,442	\$1,437,142	N/A	\$0
BLOCK GRANTS FOR PREVENTION AND TREATMENT OF SUBSTANCE ABUSE	93.959		ALLEGHENY CTY DEPT OF HUMAN SERVICES	237459		\$189,493	\$1,437,142	N/A	\$0
BLOCK GRANTS FOR PREVENTION AND TREATMENT OF SUBSTANCE ABUSE	93.959		ALLEGHENY CTY DEPT OF HUMAN SERVICES	238514		\$160,444	\$1,437,142	N/A	\$0
BLOCK GRANTS FOR PREVENTION AND TREATMENT OF SUBSTANCE ABUSE	93.959		BLAIR CTY DEPT OF SOCIAL SERVICES	N/A		\$22,798	\$1,437,142	N/A	\$0
BLOCK GRANTS FOR PREVENTION AND TREATMENT OF SUBSTANCE ABUSE	93.959		BLAIR CTY DEPT OF SOCIAL SERVICES	N/A		\$17,098	\$1,437,142	N/A	\$0
BLOCK GRANTS FOR PREVENTION AND TREATMENT OF SUBSTANCE ABUSE	93.959		ERIE COUNTY	1901-17		-\$5,576	\$1,437,142	N/A	\$0
BLOCK GRANTS FOR PREVENTION AND TREATMENT OF SUBSTANCE ABUSE	93.959		ERIE COUNTY	1901-39		\$66,310	\$1,437,142	N/A	\$0
BLOCK GRANTS FOR PREVENTION AND TREATMENT OF SUBSTANCE ABUSE	93.959		ERIE COUNTY	2001-37		\$33,155	\$1,437,142	N/A	\$0
BLOCK GRANTS FOR PREVENTION AND TREATMENT OF SUBSTANCE ABUSE	93.959		SOMERSET COUNTY	4100070771		\$324,759	\$1,437,142	N/A	\$0
COAL MINERS RESPIRATORY IMPAIRMENT TREATMENT CLINICS AND SERVICES	93.965	H37RH00064			\$63,694	\$258,632	\$258,632	N/A	\$0
PPHF GERIATRIC EDUCATION CENTERS	93.969	1U1QHP28736	UNIVERSITY OF PITTSBURGH	CNVA00061839 (130031-1)		\$49,964	\$49,964	N/A	\$0
MATERNAL AND CHILD HEALTH SERVICES BLOCK GRANT TO THE STATES	93.994		ACCESS MATTERS	193003		\$17,012	\$252,860	N/A	\$0
MATERNAL AND CHILD HEALTH SERVICES BLOCK GRANT TO THE STATES	93.994		ACCESS MATTERS	203003		\$4,610	\$252,860	N/A	\$0
MATERNAL AND CHILD HEALTH SERVICES BLOCK GRANT TO THE STATES	93.994		PA DEPT OF HEALTH	4100078280 R1		\$38,280	\$252,860	N/A	\$0
MATERNAL AND CHILD HEALTH SERVICES BLOCK GRANT TO THE STATES	93.994		PA DEPT OF HEALTH	4100078280 R2		\$30,935	\$252,860	N/A	\$0
MATERNAL AND CHILD HEALTH SERVICES BLOCK GRANT TO THE STATES	93.994		PA DEPT OF HEALTH	4100078300 R1		\$109,423	\$252,860	N/A	\$0
MATERNAL AND CHILD HEALTH SERVICES BLOCK GRANT TO THE STATES	93.994		PA DEPT OF HEALTH	4100078300 R2		\$52,600	\$252,860	N/A	\$0
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES					\$1,187,171	\$92,772,199			
TOTAL EXPENDITURE OF FEDERAL AWARDS					\$1,187,171	\$103,665,092			

Please Note:  
*Italicized award lines indicate pass-through funding*

The accompanying Notes to the Schedule of Expenditures of Federal, State, and County Awards are an integral part of the schedule.



**UPMC**  
**SCHEDULE OF EXPENDITURES OF FEDERAL, STATE, AND COUNTY AWARDS**  
**For the Period Ended December 31, 2019**

<b>Federal Grantor/Program Name/ Pass-Through Agency</b>	<b>State Number</b>	<b>County Number</b>	<b>Agency or Pass-Through Grant/Contract Number</b>	<b>Award Period</b>	<b>State</b>	<b>County</b>
<b>Special Education-Grants for Infants and Families</b>						
Pass-Through Blair County Department of Social Services	N/A	N/A	Not Provided	July 1, 2018 - June 30, 2019	\$ 139,227	\$ 10,392
Pass-Through Cumberland-Perry Counties	N/A	E118-0005	E118-0005	July 1, 2018 - June 30, 2019	17,278	1,920
Pass-Through Cumberland-Perry Counties	N/A	E119-0005	E119-0005	July 1, 2019 - June 30, 2020	33,248	3,694
<b>Projects for Assistance in Transition from Homelessness (PATH)</b>						
Pass-Through Blair County Department of Social Services	N/A	N/A	Not Provided	July 1, 2018 - June 30, 2019	558,786	3,396
Pass-Through Blair County Department of Social Services	N/A	N/A	Not Provided	July 1, 2019 - June 30, 2020	577,582	18,790
<b>Family Planning Services</b>						
Pass-Through Family Health Council of Central PA	N/A	N/A	Not Provided	July 1, 2018 - March 31, 2019	2,775	—
Pass-Through Family Health Council of Central PA	N/A	N/A	Not Provided	April 1, 2019 - June 30, 2020	7,367	—
<b>Child Care and Development Block Grant</b>						
Pass-Through YMCA of Greater Pittsburgh	N/A	N/A	R02-18-19-0026	July 1, 2018 - June 30, 2019	6,508	—
Pass-Through YMCA of Greater Pittsburgh	N/A	N/A	R02-18-19-0079	July 1, 2018 - June 30, 2019	18,480	—
Pass-Through YMCA of Greater Pittsburgh	N/A	N/A	R02-18-19-0121	July 1, 2018 - June 30, 2019	3,511	—
Pass-Through YMCA of Greater Pittsburgh	N/A	N/A	R02-18-19-0122	July 1, 2018 - June 30, 2019	5,674	—
<b>Foster Care_ Title IV-E</b>						
Pass-Through Allegheny Cty Dept of Human Services	N/A	219073	219073	July 1, 2018 - June 30, 2019	945,661	223,641
Pass-Through Allegheny Cty Dept of Human Services	Act 148	234768	234768	July 1, 2019 - June 30, 2020	642,998	160,750
Pass-Through Allegheny Cty Dept of Human Services	Act 148	222741	222741	July 1, 2018 - June 30, 2019	844,211	167,157
Pass-Through Allegheny Cty Dept of Human Services	Act 148	238514	238514	July 1, 2019 - June 30, 2020	866,071	201,768
<b>Social Services Block Grant</b>						
Pass-Through Allegheny Cty Dept of Human Services	10262	222741	222741	July 1, 2018 - June 30, 2019	235,609	(168,732)
Pass-Through Allegheny Cty Dept of Human Services	N/A	222741	222741	July 1, 2018 - June 30, 2019	(11,390)	—
Pass-Through Allegheny Cty Dept of Human Services	10262	238514	238514	July 1, 2019 - June 30, 2020	200,776	—
Pass-Through Allegheny Cty Dept of Human Services	N/A	238514	238514	July 1, 2019 - June 30, 2020	3,240	—
Pass-Through Blair County Department of Social Services	N/A	N/A	Not Provided	August 29, 2018 - June 30, 2019	3,212	260
Pass-Through Blair County Department of Social Services	N/A	N/A	Not Provided	July 1, 2019 - June 30, 2020	2,654	249
Pass-Through Family Health Council of Central PA	N/A	N/A	Not Provided	July 1, 2018 - March 31, 2019	2,148	—
Pass-Through Family Health Council of Central PA	N/A	N/A	Not Provided	April 1, 2019 - June 30, 2020	7,029	—
<b>Children's Health Insurance Program</b>						
Pass-Through PA Department of Human Services	4000018088	N/A	4000018088	December 1, 2013 - February 29, 2020	11,225,661	—
<b>Opioid STR</b>						
Pass-Through Somerset County	4100070771	N/A	4100070771	July 1, 2018 - June 30, 2020	301,950	—
<b>Maternal, Infant and Early Childhood Home Visiting Grant Program</b>						
Pass-Through PA Department of Human Services	4100070309	N/A	4100070309	July 1, 2018 - June 30, 2020	147,541	—
Pass-Through PA Department of Human Services	4100070328	N/A	4100070328	July 1, 2018 - June 30, 2020	74,252	—

**UPMC**  
**SCHEDULE OF EXPENDITURES OF FEDERAL, STATE, AND COUNTY AWARDS**  
**For the Period Ended December 31, 2019**

<b>Federal Grantor/Program Name/ Pass-Through Agency</b>	<b>State Number</b>	<b>County Number</b>	<b>Agency or Pass-Through Grant/Contract Number</b>	<b>Award Period</b>	<b>State</b>	<b>County</b>
<b>HIV Care Formula Grants</b>						
Pass-Through Jewish Healthcare Foundation	N/A	N/A	1819-2230	July 1, 2018 - June 30, 2019	\$ 2,860	\$ –
Pass-Through Jewish Healthcare Foundation	N/A	N/A	1920-2230	July 1, 2019 - June 30, 2020	1,664	–
<b>Block Grants for Community Mental Health Services</b>						
Pass-Through Allegheny Cty Dept of Human Services	APP 10248	222741	222741	July 1, 2018 - June 30, 2019	2,319,624	–
Pass-Through Allegheny Cty Dept of Human Services	APP 10248	223583	223583	July 1, 2018 - June 30, 2019	3,973,096	–
Pass-Through Allegheny Cty Dept of Human Services	APP 10248	237459	237459	July 1, 2019 - June 30, 2020	2,956,224	–
Pass-Through Allegheny Cty Dept of Human Services	APP 10248	238514	238514	July 1, 2019 - June 30, 2020	2,124,230	–
Pass-Through Erie County	N/A	1904-011953	1904-011953	July 1, 2018 - June 30, 2019	1,103,136	29,049
Pass-Through Erie County	N/A	2004-012027	2004-012027	July 1, 2019 - June 30, 2020	985,453	27,608
<b>Block Grants for Prevention and Treatment of Substance Abuse</b>						
Pass-Through Allegheny Cty Dept of Human Services	Various	222741	222741	July 1, 2018 - June 30, 2019	62,745	–
Pass-Through Allegheny Cty Dept of Human Services	Various	223583	223583	July 1, 2018 - June 30, 2019	191,251	(39,354)
Pass-Through Allegheny Cty Dept of Human Services	Various	237459	237459	July 1, 2019 - June 30, 2020	77,127	25,762
Pass-Through Allegheny Cty Dept of Human Services	Various	238514	238514	July 1, 2019 - June 30, 2020	60,490	–
Pass-Through Blair County Dept of Social Services	Various	N/A	Not Provided	July 1, 2018 - June 30, 2019	9,535	–
Pass-Through Blair County Dept of Social Services	Various	N/A	Not Provided	July 1, 2019 - June 30, 2020	5,440	–
Pass-Through Erie County	N/A	1901-17	1901-17	July 1, 2018 - June 30, 2019	(6,923)	(3,809)
Pass-Through Erie County	N/A	1901-39	1901-39	July 1, 2018 - June 30, 2019	(62,768)	138,327
Pass-Through Erie County	N/A	2001-37	2001-37	July 1, 2019 - June 30, 2020	6,310	69,164
<b>Maternal and Child Health Services Block Grant to the States</b>						
Pass-Through PA Department of Health	N/A	N/A	4100078280 R1	July 1, 2018 - June 30, 2019	28,933	–
Pass-Through PA Department of Health	N/A	N/A	4100078280 R2	July 1, 2019 - June 30, 2020	23,382	–
<b>PA Commission on Crime and Delinquency</b>						
CAC Victim Support Services	2017-EA-03 27631-2	N/A	N/A	April 1, 2018 - March 31, 2019	5,197	–
CAC and MDIT Development	2017-CB-ST-28008	N/A	N/A	January 1, 2018 - June 30, 2019	11,412	–
CHP CAC Practice Improvements	2018-CB-ST-28877	N/A	N/A	January 1, 2019 - December 31, 2019	36,732	–
Child Advocacy Centers - Birth Certificate Funds (State CAC-BC)	2018-CB-ST 28909	N/A	N/A	January 1, 2019 - March 31, 2020	31,433	–
CAC and MDIT Development Grant	2018-CB-ST-28885	N/A	N/A	January 1, 2019 - December 31, 2019	13,508	–
NCA Member Child Advocacy Grant	2018-CB-ST-28886	N/A	N/A	January 1, 2019 - December 31, 2019	34,430	–
Nursing Services in Erie County CAC	2019-EA-1B-30528	N/A	N/A	July 1, 2019 - June 30, 2021	7,932	–
<b>PA Department of Environmental Protection</b>						
Alternative Fuels Incentive Grant Program	C990000831	N/A	N/A	January 1, 2018 - April 26, 2020	61,950	–
<b>PA Department of Health</b>						
Adult Sickle Cell	4100079956 R1	N/A	N/A	July 1, 2018 - June 30, 2019	53,254	–

**UPMC**  
**SCHEDULE OF EXPENDITURES OF FEDERAL, STATE, AND COUNTY AWARDS**  
**For the Period Ended December 31, 2019**

<b>Federal Grantor/Program Name/ Pass-Through Agency</b>	<b>State Number</b>	<b>County Number</b>	<b>Agency or Pass-Through Grant/Contract Number</b>	<b>Award Period</b>	<b>State</b>	<b>County</b>
Adult Sickle Cell	4100079956 R2	N/A	N/A	July 1, 2018 - June 30, 2020	\$ 94,989	\$ -
Bureau of Emergency Medical Services	4100081495	N/A	N/A	July 1, 2018 - June 30, 2020	54,427	-
Community Based Health Care Program	4100079900	N/A	N/A	July 1, 2018 - June 30, 2020	119,199	-
Cystic Fibrosis	4100080011 R1	N/A	N/A	July 1, 2018 - June 30, 2019	61,824	-
Cystic Fibrosis	4100080011 R2	N/A	N/A	July 1, 2019 - June 30, 2020	59,489	-
Genetics PKU Newborn Screening	4100080900	N/A	N/A	July 1, 2018 - June 30, 2020	246,313	-
Pediatric Sickle Cell	4100079820 R1	N/A	N/A	July 1, 2018 - June 30, 2019	132,943	-
Pediatric Sickle Cell	4100079820 R2	N/A	N/A	July 1, 2019 - June 30, 2020	128,386	-
Spina Bifida Grant	4100078285 R1	N/A	N/A	July 1, 2018 - June 30, 2019	53,818	-
Spina Bifida Grant	4100078285	N/A	N/A	July 1, 2019 - June 30, 2020	63,590	-
<b>HIV / AIDS Program</b>						
Pass-Through Family Health Council	PAH18F999	N/A	N/A	July 1, 2018 - June 30, 2019	141,989	-
Pass-Through Family Health Council	4100080395	N/A	N/A	July 1, 2019 - June 30, 2020	127,826	-
Pass-Through Family Health Council	PAH18F999	N/A	N/A	July 1, 2018 - June 30, 2019	145,386	-
Pass-Through Family Health Council	4100080395	N/A	N/A	July 1, 2019 - June 30, 2020	222,448	-
<b>Social Services Block Grant</b>						
Pass-Through Allegheny Cty Dept of Human Services	APP 10255	237459	207350	July 1, 2019 - June 30, 2020	731	-
Technology Assisted Children's Home Program (TACHP)	4100073989	N/A	N/A	September 1, 2016 - June 30, 2019	121,388	-
Technology Assisted Children's Home Program (TACHP)	4100073989 R1	N/A	N/A	July 1, 2019 - June 30, 2020	109,123	-
<b>PA Department of Human Services</b>						
ASERT	4100072937	N/A	N/A	July 1, 2016 - June 30, 2020	564,993	-
<b>Beaver County Crisis</b>						
Pass-Through Beaver County	N/A	082318-08	N/A	July 1, 2018 - June 30, 2019	227,597	-
Pass-Through Beaver County	N/A	082219-30	N/A	July 1, 2019 - June 30, 2020	229,545	-
<b>Drug &amp; Alcohol</b>						
Pass-Through Allegheny Cty Dept of Human Services	N/A	221802	221802	July 1, 2018 - June 30, 2019	6,839	-
Pass-Through Allegheny Cty Dept of Human Services	11-029	223578	N/A	July 1, 2018 - June 30, 2019	10,848	-
Pass-Through Allegheny Cty Dept of Human Services	N/A	235908	235908	July 1, 2019 - June 30, 2020	20,282	-
Pass-Through Allegheny Cty Dept of Human Services	11-029	236969	N/A	July 1, 2019 - June 30, 2020	5,207	-
Pass-Through Erie County	N/A	2001-11	N/A	July 1, 2019 - June 30, 2020	12,736	-
Pass-Through Somerset County	N/A	10262	10262	July 1, 2019 - June 30, 2020	19,310	-
<b>Early Intervention Base Program</b>						
Pass-Through Blair County Department of Social Services	N/A	N/A	Not Provided	July 1, 2019 - June 30, 2020	115,965	12,885
<b>Early Head Start Child Care Expansion Contract</b>						
Pass-Through School District of Pittsburgh	N/A	N/A	OE18219	May 23, 2019 - February 29, 2020	16,677	-

**UPMC**  
**SCHEDULE OF EXPENDITURES OF FEDERAL, STATE, AND COUNTY AWARDS**  
**For the Period Ended December 31, 2019**

<b>Federal Grantor/Program Name/ Pass-Through Agency</b>	<b>State Number</b>	<b>County Number</b>	<b>Agency or Pass-Through Grant/Contract Number</b>	<b>Award Period</b>	<b>State</b>	<b>County</b>
Early Head Start Child Care Partnerships (EHS CCP) Program						
Pass-Through School District of Pittsburgh	N/A	N/A	OE18092	September 1, 2018 - August 31, 2019	\$ 42,069	\$ –
Pass-Through School District of Pittsburgh	N/A	N/A	OE19012	September 1, 2019 - August 31, 2020	40,113	–
HAP CM						
Pass-Through Allegheny Cty Dept of Human Services	N/A	223583	223583	July 1, 2018 - June 30, 2019	40,000	–
Head Start Supplemental Assistance Program (HSSAP)						
Pass-Through School District of Pittsburgh	N/A	N/A	OE1806	July 1, 2018 - June 30, 2019	23,441	–
Pass-Through School District of Pittsburgh	N/A	N/A	OE19010	July 1, 2019 - June 30, 2020	47,229	–
Infant Development Program						
Pass-Through Dauphin County	N/A	20180627CC58	N/A	July 1, 2018 - June 30, 2019	213,908	23,768
Pass-Through Dauphin County	N/A	20170628N70	N/A	July 1, 2019 - June 30, 2020	182,397	20,266
Pass-Through York-Adams Counties	N/A	N/A	N/A	July 1, 2018 - June 30, 2019	127,973	14,220
Pass-Through York-Adams Counties	N/A	N/A	N/A	July 1, 2019 - June 30, 2020	91,982	10,220
Mental Health						
Pass-Through Blair County Department of Social Services	N/A	N/A	N/A	July 1, 2018 - June 30, 2019	732,488	47,217
Pass-Through Blair County Department of Social Services	N/A	N/A	N/A	July 1, 2019 - June 30, 2020	613,917	27,721
OCDEL Nurse - Family Partnership Grant						
Pass-Through PA Department of Human Services	4100070242	N/A	4100070242	July 1, 2017 - June 30, 2020	629,423	–
Pass-Through PA Department of Human Services	4100070247	N/A	4100070247	July 1, 2017 - June 30, 2020	465,726	–
Pass-Through PA Department of Human Services	4100070253	N/A	N/A	July 1, 2018 - June 30, 2020	1,577,331	–
Pass-Through PA Department of Human Services	4100070250	N/A	4100070250	July 1, 2018 - June 30, 2020	383,914	–
Pass-Through Lycoming County	N/A	N/A	N/A	July 1, 2018 - June 30, 2019	37,500	–
Pass-Through Lycoming County	N/A	N/A	N/A	July 1, 2019 - June 30, 2020	37,500	–
Opioid Use Disorder - Centers of Excellence (OUD-COE)	N/A	N/A	N/A	January 1, 2017 - June 30, 2019	312,706	–
Safe Program						
Pass-Through Allegheny Cty Dept of Human Services	Act 148	223583	223583	July 1, 2018 - June 30, 2019	236,852	59,213
Pass-Through Allegheny Cty Dept of Human Services	Act 148	237459	237459	July 1, 2019 - June 30, 2020	205,036	51,259
Time-Limited Family Reunification Grant	4100077796	N/A	N/A	July 1, 2017 - June 30, 2020	100,215	–
PA Higher Education Assist Agency						
PHEAA State Grants	PHEAA	N/A	N/A	January 1, 2019 - December 31, 2019	66,513	–
PHEAA State Grants	PHEAA	N/A	N/A	January 1, 2019 - December 31, 2019	225,091	–
PHEAA State Grants	PHEAA	N/A	N/A	January 1, 2019 - December 31, 2019	285,328	–
PHEAA State Grants	PHEAA	N/A	N/A	January 1, 2019 - December 31, 2019	169,058	–

**UPMC**  
**SCHEDULE OF EXPENDITURES OF FEDERAL, STATE, AND COUNTY AWARDS**  
**For the Period Ended December 31, 2019**

<b>Federal Grantor/Program Name/ Pass-Through Agency</b>	<b>State Number</b>	<b>County Number</b>	<b>Agency or Pass-Through Grant/Contract Number</b>	<b>Award Period</b>	<b>State</b>	<b>County</b>
<b>PA Housing Finance Agency</b>						
PHARE Grant						
<i>Pass-Through Allegheny Cty Dept of Human Services</i>	<i>N/A</i>	<i>239071</i>	<i>N/A</i>	<i>December 1, 2019 - November 30, 2020</i>	<i>\$ 2,218</i>	<i>\$ -</i>
<b>Ohio Department of Higher Education</b>						
Ohio College Opportunity Grant	N/A	146499	N/A	January 1, 2019 - December 31, 2019	300	-
<b>Allegheny County</b>						
Alcohol Highway Safety Program	N/A	146499	N/A	January 1, 2013 - December 31, 2020	-	120,000
<b>Erie County</b>						
Certified Recovery Specialist	N/A	1901-40	N/A	July 1, 2018 - June 30, 2019	-	8,523
Certified Recovery Specialist	N/A	2201-43	N/A	July 1, 2019 - June 30, 2020	-	7,911
<b>TOTAL STATE &amp; COUNTY AWARDS</b>					<b>\$ 40,983,812</b>	<b>\$ 1,273,235</b>

Please note:

*Italicized award lines indicate pass-through funding*

The accompanying Notes to the Schedule of Expenditures of Federal, State, and County Awards are an integral part of the schedule.

# UPMC

## Notes to Schedule of Expenditures of Federal, State, and County Awards

December 31, 2019

### 1. Significant Accounting Policies Used in Preparing the SEFA

The accompanying Schedule of Expenditures of Federal, State, and County Awards (the Schedule) includes the federal, state, and county grant expenditures of UPMC and subsidiaries (UPMC). The Schedule has been prepared on the accrual basis of accounting with the exception of capital expenditures, which are recognized on a cash basis. Expenditures are recorded for program activities in accordance with the terms of the applicable award.

### 2. 10% De Minimis Cost Rate

UPMC did not use the de minimis cost rate.

### 3. Federal Direct Student Loans

UPMC acts as an intermediary for students receiving Federal Direct Student Loans (CFDA 84.268), which includes Direct Loans and Parents Loans for Undergraduate Students from the federal government. The federal government is responsible for billings and collections of the loans. UPMC assists the federal government by processing the applications and applying funds to student accounts from the federal government. Since this program is administered by the federal government, new loans made in the fiscal year ended December 31, 2019, related to Federal Direct Student Loans are considered current year federal expenditures, whereas the outstanding loan balances are not.

### 4. Children's Health Insurance Program

Under CFDA 93.767, Children's Health Insurance Program, UPMC invoiced premiums to the PA Department of Human Services for the period of January 1, 2019 – December 31, 2019, as follows:

Month	State Funded	Federal Funded	Member Contribution	Total Revenue UPMC for Kids	State and Federal Amount Received	Date Funds Received by UPMC
January 2019	\$ 706,597	\$ 6,074,563	\$ 1,165,778	\$ 7,946,939	\$ 6,781,160	2/15/2019
February 2019	714,015	6,138,339	1,101,923	7,954,278	6,852,355	4/12/2019
March 2019	716,336	6,158,292	1,198,878	8,073,507	6,874,628	4/26/2019
April 2019	721,055	6,198,857	1,207,809	8,127,721	6,919,912	5/9/2019
May 2019	729,783	6,273,895	1,207,656	8,211,334	7,003,678	6/7/2019
June 2019	728,967	6,266,874	1,195,059	8,190,899	6,995,840	7/17/2019
July 2019	726,346	6,244,344	1,207,591	8,178,280	6,970,689	8/14/2019
August 2019	734,807	6,317,083	1,240,211	8,292,100	7,051,890	9/6/2019
September 2019	740,320	6,364,478	1,232,875	8,337,673	7,104,798	10/11/2019
October 2019	1,540,984	5,489,051	1,252,045	8,282,079	7,030,035	11/14/2019
November 2019	1,580,866	5,631,115	1,280,140	8,492,122	7,211,982	12/16/2019
December 2019	1,585,585	5,647,922	1,700,550	8,934,057	7,233,507	1/15/2020
Total	\$ 11,225,661	\$ 72,804,813	\$ 14,990,516	\$ 99,020,989	\$ 84,030,474	

**UPMC**  
**Schedule of Pass-Through Grants from Pennsylvania Department of Health**  
**Year Ended December 31, 2019**

Supplementary Information

In accordance with the reporting guidelines established by the Pennsylvania Department of Health, the following additional information is required for pass-through grants from the Pennsylvania Department of Health:

	CFDA	Agency or Pass-Through Grant/Contract Number	Award Period	Program or Award Amount	Accrued (Deferred) Revenue at January 1, 2019	Funding Received For the Year	Revenue Recognized For the Year	Expenditures For the Year		Accrued (Deferred) Revenue at December 31, 2019
								Federal	State	
<b>U.S. Department of Agriculture</b>										
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557									
<i>Pass-Through PA Department of Health</i>		4100078052 R1	October 1, 2018 - September 30, 2019	\$ 1,074,415	\$ 235,512	\$ 1,062,044	\$ 765,140	\$ 826,532	\$ -	\$ -
<i>Pass-Through PA Department of Health</i>		4100078052 R2	October 1, 2019 - September 30, 2020	1,025,637	-	68,302	263,428	218,508	-	150,206
<b>U.S. Department of Health and Human Services</b>										
Opioid STR	93.788									
<i>Pass-Through PA Department of Health</i>		4100081394	July 1, 2018 - April 30, 2020	1,250,000	176,750	335,090	335,090	674,969	-	516,629
Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	93.817									
<i>Pass-Through PA Department of Health</i>		4100070378	July 1, 2014 - May 17, 2020	1,103,272	55,461	433,800	382,235	382,235	-	3,896
Maternal and Child Health Services Block Grant to the States	93.994									
<i>Pass-Through PA Department of Health</i>		4100078280 R1	July 1, 2018 - June 30, 2019	127,459	43,635	110,848	76,352	38,280	28,933	-
<i>Pass-Through PA Department of Health</i>		4100078280 R2	July 1, 2019 - June 30, 2020	127,459	-	6,628	38,111	30,935	23,382	47,689
<i>Pass-Through PA Department of Health</i>		4100078300 R1	July 1, 2018 - June 30, 2019	110,530	(14,415)	95,008	74,777	109,423	-	-
<i>Pass-Through PA Department of Health</i>		4100078300 R2	July 1, 2019 - June 30, 2020	110,530	-	6,114	35,966	52,600	-	46,486
					<b>\$ 496,943</b>	<b>\$ 2,117,834</b>	<b>\$ 1,971,099</b>	<b>\$ 2,333,482</b>	<b>\$ 52,315</b>	<b>\$ 764,906</b>

# Internal Control and Compliance Reports and Schedule



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

Senior Management and the Board of Directors  
UPMC

We have audited, in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States) (PCAOB) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated balance sheets of UPMC and subsidiaries (the Company) as of December 31, 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 and have issued our report dated February 25, 2020, expressed an unqualified opinion thereon. We also have audited, in accordance with the auditing standards of the PCAOB, the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated February 25, 2020 expressed an unqualified opinion thereon.

### Internal Control Over Financial Reporting

A *deficiency in internal control* over financial reporting (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 annual or interim 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.

In planning and performing our audits, we did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

## Compliance and Other Matters

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

## Purpose of This Report

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

*Ernst + Young LLP*

February 25, 2020

## Report of Independent Auditors on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Senior Management and the Board of Directors  
UPMC

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

We have audited UPMC and subsidiaries' (the Company) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the Company's major federal program for the year ended December 31, 2019. The Company's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### ***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 the Company'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; 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (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 Company'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 the major federal program. However, our audit does not provide a legal determination of the Company's compliance.

### ***Opinion on the Major Federal Program***

In our opinion, UPMC and subsidiaries complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on their major federal program for the year ended December 31, 2019.

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

Management of the Company 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 Company's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 Company'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 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.

*Ernst & Young LLP*

June 26, 2020

# UPMC

## Schedule of Findings and Questioned Costs

Year Ended December 31, 2019

### Section I—Summary of Auditor's Results

#### Financial Statements

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

Unmodified

Internal control over financial reporting:

Material weakness identified?

       **Yes**        X   **No**

Significant deficiency identified?

       **Yes**        X   **None reported**

Noncompliance material to financial statements noted?

       **Yes**        X   **No**

#### Federal Awards

Internal control over major federal program:

Material weakness identified?

       **Yes**        X   **No**

Significant deficiency identified?

       **Yes**        X   **None reported**

Type of auditor's report issued on compliance for major federal program:

Unmodified

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

       **Yes**        X   **No**

UPMC

Schedule of Findings and Questioned Costs (continued)

Identification of major federal programs:

**CFDA numbers**

**Name of federal program or cluster**

93.767

Children's Health Insurance Program

Dollar threshold used to distinguish between  
Type A and Type B programs:

\$3,000,000

Auditee qualified as low-risk auditee?

  X   Yes           No

**Section II—Financial Statement Findings**

No matters reported.

**Section III—Federal Award Findings and Questioned Costs**

No matters reported.

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