CommonSpirit™

This document is dated May 13, 2022

UNAUDITED QUARTERLY REPORT

For the Three and Nine-Month Periods Ended
March 31, 2022 and 2021

The information in this report
has been provided by
CommonSpirit Health

COMMONSPIRIT HEALTH

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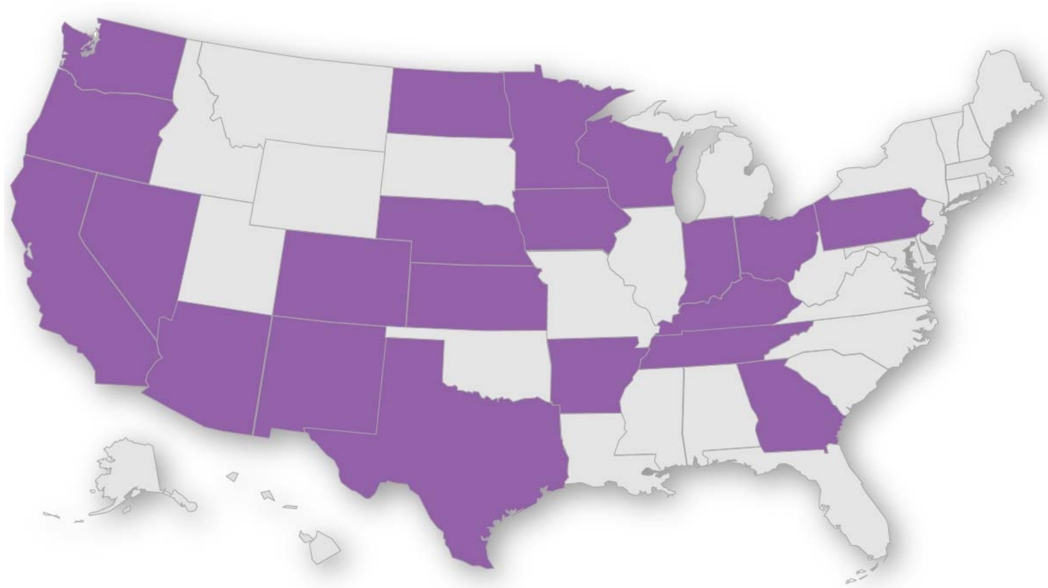
Management Discussion and Analysis of Financial Condition and Results of Operations

Overview

CommonSpirit Health is a Colorado nonprofit public benefit corporation exempt from federal and state income taxes. CommonSpirit Health is a Catholic health care system sponsored by the public juridic person, Catholic Health Care Federation ("CHCF").

CommonSpirit Health owns and operates health care facilities in 21 states and is the sole corporate member (parent corporation) of other primarily nonprofit corporations that are exempt from federal and state income taxes. With its national office in Chicago, and a team of over 150,000 employees and over 25,000 physicians and advanced practice clinicians, CommonSpirit Health is comprised of more than 1,500 care sites, including 142 hospitals, consisting of academic health centers, major teaching hospitals, and critical access facilities; community health services organizations; accredited nursing colleges; home health agencies; living communities; a medical foundation and other affiliated medical groups; and other facilities and services that span the inpatient and outpatient continuum of care. The unaudited condensed consolidated financial statements in Exhibit I include CommonSpirit Health and its direct affiliates and subsidiaries (together, "CommonSpirit", or the "System").



Forward-Looking Statements

Certain of the discussions in this document may include "forward-looking statements" which involve known and unknown risks and uncertainties inherent in the operation of health care facilities. Actual actions or results may differ materially from those presented herein, and past or current trends may not continue. Specific factors that might cause such differences include competition from other health care facilities in the service areas of CommonSpirit, federal and state regulation of health care providers, staffing shortages, organized labor initiatives, and reimbursement policies of the state and federal governments and managed care organizations. In particular, statements that are preceded by, followed by or include the word "believes," "estimates," "expects," "anticipates," "plans," "intends," "scheduled," or other similar expressions are or may constitute forward-looking statements.

CommonSpirit has presented its operating results for the three and nine-month periods ended March 31, 2022 and 2021, in accordance with accounting principles generally accepted in the United States of America ("GAAP") and on a non-GAAP basis for EBITDA (earnings before interest, tax, depreciation and amortization, and nonoperating income). The non-GAAP financial measures are in addition to, not a substitute for, measures of financial performance prepared in accordance with GAAP.

CommonSpirit believes that its presentation of non-GAAP financial measures provides useful supplementary information to and facilitates additional analysis by investors. CommonSpirit uses certain non-GAAP financial measures to enhance an investor's overall understanding of the financial performance and prospects for the future of CommonSpirit's ongoing business activities by facilitating comparisons of results of ongoing business operations among current, past and future periods.

COVID-19 Pandemic – Response and Impact on Operations

The third quarter ended March 31, 2022, included the steep peak of Omicron cases, as well as a sharp drop-off by quarter end. COVID-19 cases at CommonSpirit rose to a peak of nearly 4,500 in late January 2022, and fell rapidly to under 300 cases by quarter end and have remained at that lower level through the date of this report. Consistent with prior experience, CommonSpirit saw trends in its hospitals similar to the nationwide trend, where the seriously ill are mostly those who are unvaccinated or have underlying health issues. The high transmissibility of the Omicron variant contributed to significant workforce challenges nationwide, for our caregivers and other employees, as well as within the industries CommonSpirit relies upon daily. Although the vaccination rate across the organization is extremely high, many staff were required to be placed on leave under the Centers for Disease Control and Prevention ("CDC") guidelines. CommonSpirit has applied its learnings and preparation over the past two years and has managed well through this latest surge. While non-COVID-19 volume was lower in January and February, these volumes have rebounded in March as patients accessed needed care and the risk of contracting the disease has waned.

CommonSpirit is closely monitoring COVID-19 case trends nationwide along with the emergence of the now dominant BA.2 sub variant of Omicron. CommonSpirit continues to believe that the best defense against severe illness of COVID-19 is to have three doses of the vaccine. CommonSpirit continues to strongly encourage boosters for its staff, patients, and community members.

Staffing remains a pressing issue across the industry - CommonSpirit is focused on maintaining appropriate staffing at its care sites, including acceleration of the hiring and onboarding processes, leveraging traveling nurse lists, and in some locations, retraining or moving staff between care sites. Fatigue and burnout among health care workers are some of the major challenges currently facing CommonSpirit and the nation. Supporting staff resilience and working to expand the health care workforce are key strategic priorities for the organization. CommonSpirit has established internal programs focused on staff retraining, wellness and resilience, and is aggressively working to identify new staff in key specialty areas. CommonSpirit is also focused on the long-term pipeline and has developed new graduate medical education ("GME") relationships and residency programs, with the goal of being a leading GME partner.

CommonSpirit is also encouraging staff to work additional hours through various incentive programs and is reducing turnover through retention programs. Each of CommonSpirit's divisions and facilities similarly assess individual staffing plans on an ongoing basis to best address local needs.

Operational Impact

The pandemic continues to create financial challenges for health care providers, particularly with labor shortages resulting in higher overtime and registry usage, but there are near-term favorable trends from a volume perspective. As the COVID-19 census dropped toward the end of the quarter, March 2022 results rebounded compared to February 2022 with acute admissions increasing 13.6%, outpatient surgeries increasing 21.2%, and inpatient surgeries increasing 16.0%.

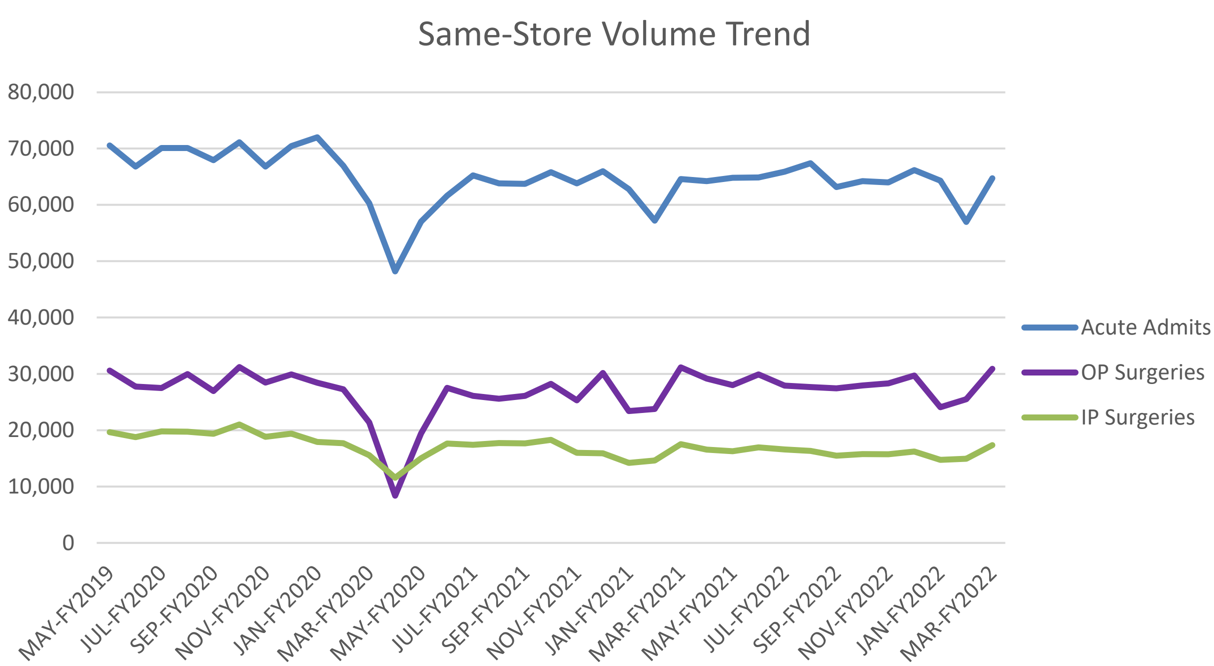
As CommonSpirit continues to manage through the COVID-19 pandemic, the organization has taken steps to mitigate the evolving financial and operational challenges on the System. Leadership believes the System's size and geographic diversity have helped smooth the impact of the crisis on the System. Specifically:

- Expense and Liquidity Management – CommonSpirit had been on a path to improving efficiency and realizing synergies as part of its alignment and was well positioned to take a disciplined approach to expense management during the pandemic. As the industry grapples with escalating salary costs for travelers and staff alike due to staffing issues brought on by COVID-19 and exacerbated by increasing inflationary pressures, CommonSpirit has developed programs to encourage retention and has created internal float pools and an internal registry.

To address the increase in length of stay required for most COVID-19 patients, CommonSpirit has extended the reach of hospitalists, expanded relationships with skilled nursing facilities, and redesigned care coordination processes to encourage more timely discharge of patients who do not require post-acute services.

- Revenue Diversification – CommonSpirit's operations across 21 states create a strong geographic diversification of revenues for the System. CommonSpirit anticipates that as the pandemic becomes endemic in the U.S., smaller surges may ebb and flow across different geographies at different times, and the System's geographic diversity may provide greater stability of revenue trends versus more geographically concentrated providers.

The following table is a summary of key volume metrics experienced throughout the pandemic on a same-store basis:



As of March 2022, charge volume has recovered to about 4% above pre-COVID-19 pandemic levels, reflecting higher acuity in many of the patients present at CommonSpirit's health care facilities.

Governmental Support

The Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") provides stimulus in the form of financial aid to cover extensive emergency funding to hospitals and providers through existing mechanisms to prevent, prepare for, and respond to COVID-19. Through March 31, 2022, CommonSpirit has received approximately $1.6 billion in CARES Act Provider Relief Funds ("CARES PRF") in the form of grants as reimbursement through the Public Health and Social Services Emergency Fund for health care expenses and lost revenues attributable to COVID-19. These provider relief payments are recorded as other operating revenues, as earned. For the nine-month periods ended March 31, 2022 and 2021, $20 million and $617 million has been recorded in other operating revenues in the unaudited condensed consolidated statements of operations and changes in net assets, respectively, and a combined total of $1.5 billion was recognized during fiscal years 2021 and 2020. The organization has applied for CARES PRF Phase IV distributions and expects to receive additional funds within the next few months. These funds are not required to be repaid upon attestation and compliance with certain terms and conditions.

To date, CommonSpirit has received $2.8 billion in funds under the Medicare Accelerated and Advance Payment Program (the "Medicare advances"), of which $2.6 billion was received as of June 30, 2020, and the remainder in fiscal year 2021. No additional funds have been received in fiscal year 2022. These payments are advances that will be recouped by withholding future Medicare fee-for-service payments for claims until such time as the full accelerated payment has been recouped. As of March 31, 2022, $1.3 billion has been repaid, of which $1.0 billion was repaid during the nine-month period ended March 31, 2022. Approximately $200 million per month is expected to be recouped going forward, based on historical experience. As of March 31, 2022, $1.4 billion is recorded in current liabilities related to these Medicare advances and $56 million is recorded in current liabilities held for sale.

CommonSpirit had deferred $416 million in employer payroll taxes through March 31, 2022, pursuant to the Paycheck Protection Program and Health Care Enhancement Act, of which $208 million was repaid in December 2021, and $208 million is recorded in accrued salaries and benefits within current liabilities.

CommonSpirit recorded $64 million of Employee Retention Credits under the CARES Act during the nine-month period ended March 31, 2022. These funds relate to qualified wages paid between April 1, 2020, and June 30, 2020, and are recorded within other operating revenue.

In total, the funds received under the Medicare Accelerated and Advance Payment Program and the Paycheck Protection Program and Health Care Enhancement Act represent 19 days cash on hand as of March 31, 2022, and 35 days as of June 30, 2021.

While the aid received from the programs above provides much needed assistance during this crisis, CommonSpirit is unable to assess the extent to which the amounts and benefits received, or to be received, will offset the long-term changes in volumes, payor mix, service mix, labor, or care sites arising from the COVID-19 pandemic.

The following table illustrates the detail of the CARES PRF funding by division:

CARES PRF Funding, including assets held for sale	Nine-Month Periods Ended March 31,		As of March 31, 2022		
	2022	2021	Deferred Revenue	Cumulative CARES PRF	Cumulative Medicare
($ in millions)	Other Operating Revenue		(Liability)	Grants	Advances, net
Northern California	$ 2	$ 68	$ 2	$ 241	$ 290
Southwest	1	20	-	135	141
Southern California	-	33	2	258	219
Pacific Northwest	-	78	1	172	192
Southeast	5	49	2	231	195
Midwest	-	30	5	161	185
Colorado	9	28	3	124	100
Texas	-	37	-	141	112
Iowa	-	20	-	48	56
National Business Lines*	3	4	1	19	6
Subtotal Divisions	20	367	16	1,530	1,496
Corporate Services	-	250	-	22	-
CommonSpirit Total	$ 20	$ 617	$ 16	$ 1,552	$ 1,496

** Includes Home Care and Senior Living Business Lines.*

California Provider Fee Program

In February 2020, the Centers for Medicare and Medicaid Services ("CMS") approved the State Plan Amendment ("SPA") and allocation model previously submitted by the State of California for the 30-month provider fee program beginning July 1, 2019.

With the culmination of the current program as of December 31, 2021, the State of California has submitted a SPA to CMS for approval of a new 12-month provider fee program beginning January 1, 2022. CMS approval of the new program is expected to be received before June 30, 2022. As such, no provider fee net income was recorded for the new program during the three-month period ended March 31, 2022. As a result of the CMS approval timing, EBITDA, operating revenues, and expenses for fiscal year 2022 have been adjusted where indicated on the report to normalize the 2022 California provider fee program revenue and expenses.

Following is a summary of the impact of normalizing provider fee income:

Normalized California Provider Fee Program Impact ($ in millions)	Q1	Q2	Q3	YTD
Net patient and premium revenues	$ -	$ -	$ 257	$ 257
Operating expenses	-	-	128	128
Provider Fee net income	$ -	$ -	$ 129	$ 129

CommonSpirit also recorded a favorable net income true-up of $39 million during the three-month period ended March 31, 2022, related to the prior California Provider Fee Program which expired December 31, 2021.

The following is a summary of normalized revenue and expenses related to the provider fee program:

California Provider Fee Program	Three-Month Periods Ended March 31,			Nine-Month Periods Ended March 31,		
($ in millions)	2022*	2021	Change	2022*	2021	Change
Net patient and premium revenues	$ 268	$ 254	$ 14	$ 785	$ 762	$ 23
Operating expenses	100	127	(27)	357	366	(9)
Provider Fee net income	$ 168	$ 127	$ 41	$ 428	$ 396	$ 32

** Adjusted to normalize the California Provider Fee Program income.*

Financial Highlights and Summary

CommonSpirit recorded operating losses of $591 million and $638 million, during the three and nine-month periods ended March 31, 2022, respectively, compared to an operating income of $539 million and $1.1 billion for the same periods in the prior year. The results for the three and nine-month periods ended March 31, 2022, include $188 million in operating income related to a pre-tax gain on sale of joint-venture shares compared to $523 million in same periods of the prior year. Excluding CARES PRF grant revenues and normalized for the California provider fee program, operating losses for the three and nine-month periods ended March 31, 2022, were $468 million and $529 million, respectively, compared to operating income of $406 million and $452 million for the same periods in the prior year.

Effective November 1, 2020, Yavapai Regional Medical Center ("YRMC") became affiliated with CommonSpirit as a subsidiary of Dignity Community Care, a consolidated affiliate of CommonSpirit. YRMC owns and operates a 134-bed acute care hospital in Prescott, Arizona, a 72-bed acute care hospital in Prescott Valley, Arizona, and several other primary and specialty care facilities located throughout Prescott and Prescott Valley. As a result of the affiliation, a contribution of the excess of unrestricted assets over liabilities of $509 million was recognized as a contribution from business combination in fiscal year 2021, and the favorable financial results of YRMC are included in the accompanying unaudited condensed consolidated financial statements as of the effective date.

Effective January 1, 2021, Franciscan Health System ("FHS"), Virginia Mason Health System ("VMHS"), and CommonSpirit Health, the sole member of FHS, completed an affiliation transaction, pursuant to which, among other things, CommonSpirit formed Virginia Mason Franciscan Health ("VMFH"), a Washington non-profit corporation. VMFH owns and operates Virginia Mason Medical Center ("VMMC"), Benaroya Research Institute ("BRI"), and other affiliates of FHS and VMMC. With the addition of VMMC, a 336-bed acute care hospital and other care sites from VMHS, VMFH operates 11 hospitals and nearly 300 cares sites within the Pacific Northwest. The agreement did not include consideration, and resulted in the recognition of a $511 million gain, recorded as contribution from business combination in nonoperating income (loss) in fiscal year 2021, and the favorable financial results of the contributed entities are included in the accompanying unaudited condensed consolidated financial statements as of the effective date.

CommonSpirit's EBITDA decreased to a loss of $110 million for the three-month period ended March 31, 2022, from a gain of $1.0 billion during the same period in the prior year. The EBITDA margin for the three-month period ended March 31, 2022, decreased to -1.3% from 11.7% for the same period in the prior year. Excluding CARES PRF grant revenues and normalized for the California provider fee program, EBITDA for the three-month period ended March 31, 2022, was $13 million with an EBITDA margin of 0.1%, compared to $900 million with an EBITDA margin of 10.3% during the same period in the prior year, which included a $523 million gain on the sale of joint venture shares.

CommonSpirit's EBITDA decreased to $834 million for the nine-month period ended March 31, 2022, from $2.5 billion during the same period in the prior year. The EBITDA margin for the nine-month period ended March 31, 2022, decreased to 3.2% from 10.1% for the same period in the prior year. Excluding CARES PRF grant revenues and normalized for the California provider fee program, EBITDA for the nine-month period ended March 31, 2022, was $943 million with an EBITDA margin of 3.6%, compared to $1.9 billion with an EBITDA margin of 7.8% during the same period in the prior year, which included a $523 million gain on joint venture shares.

For the three and nine-month periods ended March 31, 2022, CommonSpirit's volumes on an adjusted admission basis improved from the lower volumes during earlier peaks of the pandemic, and were favorable to the same periods in the prior year by 3.7% and 5.4%, respectively. On a same-store basis, adjusted admissions were favorable to the same periods in the prior year by 3.7% and 3.0%, respectively. Adjusted patient days for the three and nine-month periods ended March 31, 2022, were higher than the same periods in the prior year by 6.7% and 10.5%, respectively. The acute average length of stay (ALOS) of 5.44 days and 5.30 days, for the three and nine-month periods ended March 31, 2022, were higher than the prior year of 5.28 and 5.06 days, respectively, primarily due to higher acuity and placement issues due to lack of availability of skilled nursing beds for both COVID-19 and non-COVID-19 patients.

Key Indicators Financial Summary				
		Three-Month Periods Ended March 31,		
($ in millions)	2022	2022*	2021	Change**
	As Recorded	As Adjusted	As Recorded	As Adjusted Comparison
EBITDA	$ (110)	$ 19	$ 1,033	$ (1,014)
Margin %	(1.3%)	0.2%	11.7%	(11.5%)
EBITDA - excluding CARES PRF	$ (116)	$ 13	$ 900	$ (887)
Margin % - excluding CARES PRF	(1.4%)	0.1%	10.3%	(10.2%)
Operating income (loss)	$ (591)	$ (462)	$ 539	$ (1,001)
Margin %	(7.2%)	(5.4%)	6.1%	(11.5%)
Operating income (loss) - excluding CARES PRF	$ (597)	$ (468)	$ 406	$ (874)
Margin % - excluding CARES PRF	(7.2%)	(5.5%)	4.7%	(10.2%)

** Adjusted to normalize the California Provider Fee Program income.*

*** Comparing the three-month period ended March 31, 2022, as adjusted to the same period in the prior year as recorded.*

Key Indicators Financial Summary	Nine-Month Periods Ended March 31,			
($ in millions)	2022	2022*	2021	Change**
	As Recorded	As Adjusted	As Recorded	As Adjusted Comparison
EBITDA	$ 834	$ 963	$ 2,512	$ (1,549)
Margin %	3.2%	3.7%	10.1%	(6.4%)
EBITDA - excluding CARES PRF	$ 814	$ 943	$ 1,895	$ (952)
Margin % - excluding CARES PRF	3.2%	3.6%	7.8%	(4.2%)
Operating income (loss)	$ (638)	$ (509)	$ 1,069	$ (1,578)
Margin %	(2.5%)	(2.0%)	4.3%	(6.3%)
Operating income (loss) - excluding CARES PRF	$ (658)	$ (529)	$ 452	$ (981)
Margin % - excluding CARES PRF	(2.6%)	(2.0%)	1.9%	(3.9%)

** Adjusted to normalize the California Provider Fee Program income.*

*** Comparing the nine-month period ended March 31, 2022, as adjusted to the same period in the prior year as recorded.*

Results of Operations

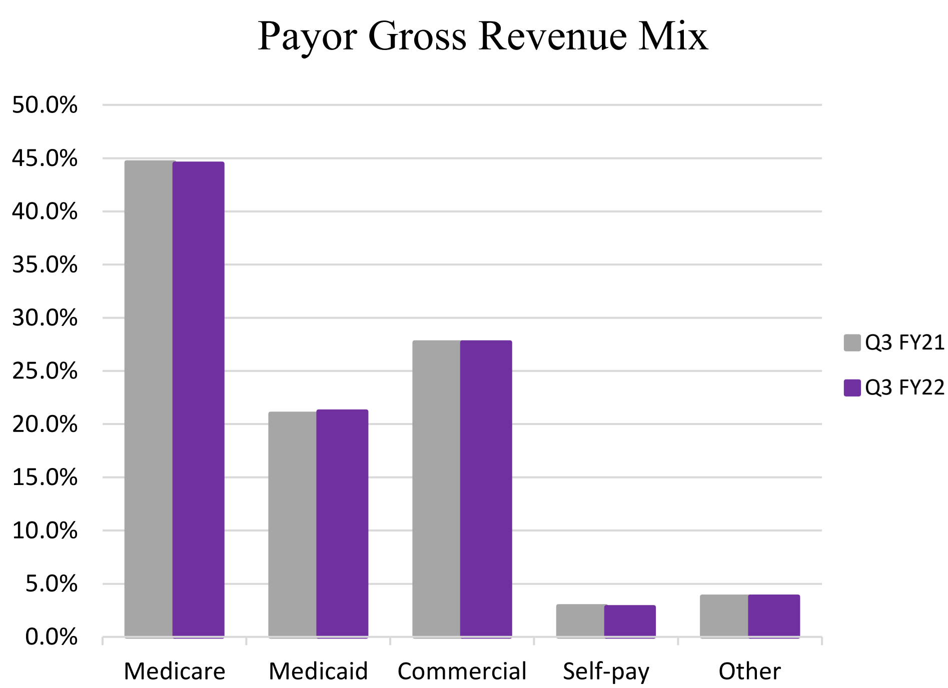
Operating Revenues and Volume Trends

Net patient and premium increased $108 million, or 1.4%, and increased $1.7 billion, or 7.6%, over the same periods in the prior year for the three and nine-month periods ended March 31, 2022, respectively. Normalizing the California provider fee revenues in the current year three and nine-month periods ended March 31, 2022, net patient and premium revenues increased $365 million, or 4.8%, and increased $1.9 billion, or 8.7%, respectively. The increase is primarily due to higher volume levels, rate changes, the YRMC and VMHS affiliations, and stable payor mix. Outpatient volume has returned at a greater rate than inpatient volume with outpatient surgeries above pre-pandemic levels. This partially reflects the continued shift of the site of care change from inpatient to outpatient. Normalized net patient and premium revenue per adjusted admission increased 1.1% and 3.2% during the three and nine-month periods ended March 31, 2022, respectively. This increase is primarily due to rate changes and stable payor mix.

Volumes	Three-Month Periods Ended March 31,		%	Nine-Month Periods Ended March 31,		%
	2022	2021	Change	2022	2021	Change
Acute admissions	191,650	190,145	0.8%	594,190	580,598	2.3%
Adjusted admissions	379,988	366,550	3.7%	1,180,145	1,119,919	5.4%
Acute inpatient days	1,041,832	1,004,216	3.7%	3,151,714	2,937,454	7.3%
Adjusted patient days	2,065,658	1,935,869	6.7%	6,259,752	5,666,073	10.5%
Acute average length of stay	5.44	5.28	3.0%	5.30	5.06	4.7%
Outpatient visits	6,938,278	6,721,609	3.2%	21,088,447	19,295,745	9.3%
ED visits	925,694	804,055	15.1%	2,886,664	2,426,329	19.0%
Gross outpatient revenue as a % of total gross patient services revenue	49.6%	48.1%	1.5%	49.7%	48.2%	1.5%

Same-Store Volumes	Three-Month Periods Ended March 31, 2022	2021	% Change	Nine-Month Periods Ended March 31, 2022	2021	% Change
Acute admissions	191,650	190,145	0.8%	576,806	572,946	0.7%
Adjusted admissions	379,988	366,550	3.7%	1,134,296	1,101,280	3.0%
Acute inpatient days	1,041,832	1,004,216	3.7%	3,047,509	2,896,745	5.2%
Adjusted patient days	2,065,658	1,935,869	6.7%	5,992,967	5,567,936	7.6%
Acute average length of stay	5.44	5.28	3.0%	5.28	5.06	4.3%
Outpatient visits	6,938,278	6,721,609	3.2%	19,963,047	18,831,826	6.0%
ED visits	925,694	804,055	15.1%	2,817,923	2,398,060	17.5%
Gross outpatient revenue as a % of total gross patient services revenue	49.6%	48.1%	1.5%	49.1%	48.0%	1.1%

Payor mix based on gross revenues for the three and nine-month periods ended March 31, 2022, is relatively stable, compared to the same periods in the prior year, despite the COVID-19 pandemic. The following chart represents the payor gross revenue mix for consolidated operations for the nine-month periods ended March 31, 2022 and 2021:



All other operating revenues decreased $690 million and $842 million, or 58.3% and 33.2%, over the same periods in the prior year for the three and nine-month periods ended March 31, 2022, respectively, primarily due to CARES PRF grant revenue totaling $6 million and $20 million, for the three and nine-month periods ending March 31, 2022, respectively, compared to $133 million and $617 million for the same periods in the prior years, partially offset by higher pharmaceutical revenues. Excluding the provider relief CARES PRF grants, all other operating revenues decreased $563 million and $245 million, or 53.6% and 12.8%, for the three and nine-month periods ending March 31, 2022, over the same periods in the prior year, respectively. The decrease from prior year is also largely impacted by a $188 million pre-tax gain on sale of joint-venture shares recorded in the nine-month period ended March 31, 2022, compared to a $523 million gain recorded in the prior year three and nine-month periods ended March 31, 2021.

Operating Revenues								
	Three-Month Periods Ended March 31,				Nine-Month Periods Ended March 31,			
($ in millions)	2022	2022*	2021	Change**	2022	2022*	2021	Change**
	As Recorded	As Adjusted	As Recorded	As Adjusted Comparison	As Recorded	As Adjusted	As Recorded	As Adjusted Comparison
Net patient and premium revenues	$ 7,768	$ 8,025	$ 7,660	$ 365	$ 23,995	$ 24,252	$ 22,310	$ 1,942
All other operating revenues	493	493	1,183	(690)	1,693	1,693	2,535	(842)
Total operating revenues	$ 8,261	$ 8,518	$ 8,843	$ (325)	$ 25,688	$ 25,945	$ 24,845	$ 1,100

** Adjusted to normalize the California Provider Fee Program income.*

*** Comparing the three and nine-month periods ended March 31, 2022, as adjusted to the same periods in the prior year as recorded.*

Uncompensated Care						
	Three-Month Periods Ended March 31,			Nine-Month Periods Ended March 31,		
($ in millions)	2022	2021	Change	2022	2021	Change
Uncompensated Care:						
Charity care, at customary charges	$ 440	$ 477	$ (37)	$ 1,524	$ 1,543	$ (19)
Charity care, at cost, net	$ 115	$ 126	$ (11)	$ 389	$ 397	$ (8)
Charity care, at cost, as a percentage of total expenses	1.3%	1.5%	(0.2%)	1.5%	1.7%	(0.2%)
Implicit price concessions	$ 499	$ 359	$ 140	$ 1,351	$ 1,038	$ 313

Operating Expenses

Salaries and benefits increased $509 million and $1.8 billion, or 12.2% and 15.1%, over the same periods in the prior year, for the three and nine-month periods ended March 31, 2022, respectively, with salaries and benefits per adjusted admission increasing 8.2% and 9.3%, respectively, primarily due to high registry and contract labor costs, higher staffing costs due to CommonSpirit's premium pay and retention programs, inflationary pressures, overtime, higher length of stay due to COVID-19, and the YRMC and VMHS affiliations.

Supplies increased $54 million and $407 million, or 4.2% and 10.6%, during the three and nine-month periods ended March 31, 2022, compared to the same periods in the prior year, respectively. The increase is primarily due to increased supplies related to higher acuity (which impacted pharmaceutical, laboratory and other supply costs), the YRMC and VMHS affiliations, additional supplies required for COVID-19 preparedness, and higher than anticipated inflation.

Purchased services and other increased $126 million and $462 million, or 6.9% for both the three and nine-month periods ended March 31, 2022, when normalizing for the California provider fee program costs, compared to the same periods in the prior year, primarily due to the YRMC and VMHS affiliations, higher medical fees, higher insurance costs, and inflationary pressures, partially offset by lower out-of-network costs.

Expense Management and Productivity

	Three-Month Periods Ended March 31,			Nine-Month Periods Ended March 31,		
	2022	2022*	2021	2022	2022*	2021
	As Recorded	As Adjusted	As Recorded	As Recorded	As Adjusted	As Recorded
Expense Management:						
Supply expense as a % of net patient and premium revenue	17.4%	16.9%	17.0%	17.7%	17.5%	17.2%
Purchased services and other as a % of net patient and premium revenue	30.0%	30.7%	30.5%	29.5%	29.7%	30.2%
Capital expense as a % of net patient and premium revenue	6.2%	6.0%	6.4%	6.1%	6.1%	6.5%
Non-capital cost per adjusted admission	$ 22,031	$ 22,368	$ 21,308	$ 21,060	$ 21,169	$ 19,942
Productivity:						
Salaries, wages and benefits as a % of net patient and premium revenue	60.3%	58.4%	54.5%	56.5%	55.9%	52.7%
Number of FTEs	133,556	133,556	133,167	133,873	133,873	126,824
FTEs per adjusted admission	28.19	28.19	29.15	27.74	27.74	27.85

**Adjusted to normalize the California Provider Fee Program revenues and expense.*

Operating Expenses

($ in millions)	Three-Month Periods Ended March 31, 2022	2022*	2021	Change**
	As Recorded	As Adjusted	As Recorded	As Adjusted Comparison
Salaries and benefits	$ 4,684	$ 4,684	$ 4,175	$ 509
Supplies	1,354	1,354	1,300	54
Purchased services and other	2,333	2,461	2,335	126
Depreciation and amortization	367	367	380	(13)
Interest expense, net	114	114	114	-
Total operating expenses	$ 8,852	$ 8,980	$ 8,304	$ 676

** Adjusted to normalize the California Provider Fee Program income.*

*** Comparing the three-month period ended March 31, 2022, as adjusted to the same period in the prior year as recorded.*

Operating Expenses				
	Nine-Month Periods Ended March 31,			
($ in millions)	**2022**	**2022***	**2021**	**Change****
	As Recorded	**As Adjusted**	**As Recorded**	**As Adjusted Comparison**
Salaries and benefits	$ 13,547	$ 13,547	$ 11,766	$ 1,781
Supplies	4,240	4,240	3,833	407
Purchased services and other	7,067	7,196	6,734	462
Depreciation and amortization	1,123	1,123	1,110	13
Interest expense, net	349	349	333	16
Total operating expenses	$ 26,326	$ 26,455	$ 23,776	$ 2,679

** Adjusted to normalize the California Provider Fee Program income.*

*** Comparing the nine-month period ended March 31, 2022, as adjusted to the same period in the prior year as recorded.*

Nonoperating Results

CommonSpirit recorded investment losses, net, of $183 million and investment income, net, of $219 million during the three and nine-month periods ended March 31, 2022, compared to investment income, net, totaling $636 million and $2.4 billion during the same periods in the prior year, respectively, due to a decline in the financial markets in the current year.

CommonSpirit recorded a loss on early extinguishment of debt of $12 million during the nine-month period ended March 31, 2021, related to the debt restructuring in calendar year 2020.

Income tax was a $4 million benefit and $72 million of expense during the three and nine-month periods ended March 31, 2022, compared to tax expense of $103 million and $133 million during the same periods in the prior year, respectively.

The change in market value and cash payments of interest rate swaps was a favorable result of $95 million and $117 million during the three and nine-month periods ended March 31, 2022, compared to $103 million and $145 million during the same periods in the prior year, respectively.

Contribution from business combination amounted to gains of $517 million and $1.0 billion during the three and nine-month periods ended March 31, 2021, as a result of the affiliations with VMHS and YRMC.

Net periodic postretirement costs amounted to $69 million and $210 million of income during the three and nine-month periods ended March 31, 2022, compared to $15 million and $44 million during the same periods in the prior year, respectively.

Nonoperating Results	Three-Month Periods Ended March 31,			Nine-Month Periods Ended March 31,		
($ in millions)	**2022**	**2021**	**Change**	**2022**	**2021**	**Change**
Investment income, net	$ (183)	$ 636	$ (819)	$ 219	$ 2,448	$ (2,229)
Loss on early extinguishment of debt	-	-	-	-	(12)	12
Income tax expense	4	(103)	107	(72)	(133)	61
Change in fair value and cash payments of interest rate swaps	95	103	(8)	117	145	(28)
Contribution from business combination	-	517	(517)	-	1,026	(1,026)
Other components of net periodic postretirement costs	69	15	54	210	44	166
Other	(2)	2	(4)	(5)	11	(16)
Total nonoperating income, net	$ (17)	$ 1,170	$ (1,187)	$ 469	$ 3,529	$ (3,060)

Operating Revenues by Division

The following tables present operating revenues by division for the three and nine-month periods ended March 31, 2022 and 2021:

Division Operating Revenues	Three-Month Periods Ended March 31,			
($ in millions)	**2022**	**2022****	**2021**	**Change*****
	As Recorded	**As Adjusted**	**As Recorded**	**As Adjusted Comparison**
Southern California	$ 1,439	$ 1,618	$ 1,635	$ (17)
Northern California	1,221	1,299	1,316	(17)
Pacific Northwest	1,044	1,044	1,088	(44)
Southwest	1,172	1,172	1,036	136
Southeast	923	923	889	34
Midwest	700	700	703	(3)
Colorado	747	747	662	85
Texas	642	642	634	8
Iowa	270	270	276	(6)
National Business Lines*	95	95	88	7
Other	9	9	2	7
Subtotal Divisions	8,262	8,519	8,329	190
Corporate Services	(1)	(1)	514	(515)
CommonSpirit Total	$ 8,261	$ 8,518	$ 8,843	$ (325)

** Includes Home Care and Senior Living Business Lines.*

*** Adjusted to normalize the California Provider Fee Program income.*

**** Comparing the three-month period ended March 31, 2022, as adjusted to the same period in the prior year as recorded.*

Division Operating Revenues				
	Nine-Month Periods Ended March 31,			
($ in millions)	**2022**	**2022****	**2021**	**Change*****
	As Recorded	**As Adjusted**	**As Recorded**	**As Adjusted Comparison**
Southern California	$ 4,664	$ 4,843	$ 4,700	$ 143
Northern California	3,867	3,945	3,843	102
Pacific Northwest	3,266	3,266	2,615	651
Southwest	3,376	3,376	2,927	449
Southeast	2,868	2,868	2,705	163
Midwest	2,204	2,204	2,207	(3)
Colorado	2,193	2,193	1,998	195
Texas	1,997	1,997	1,898	99
Iowa	849	849	857	(8)
National Business Lines*	272	272	278	(6)
Other	14	14	15	(1)
Subtotal Divisions	25,570	25,827	24,043	1,784
Corporate Services	118	118	802	(684)
CommonSpirit Total	$ 25,688	$ 25,945	$ 24,845	$ 1,100

** Includes Home Care and Senior Living Business Lines.*

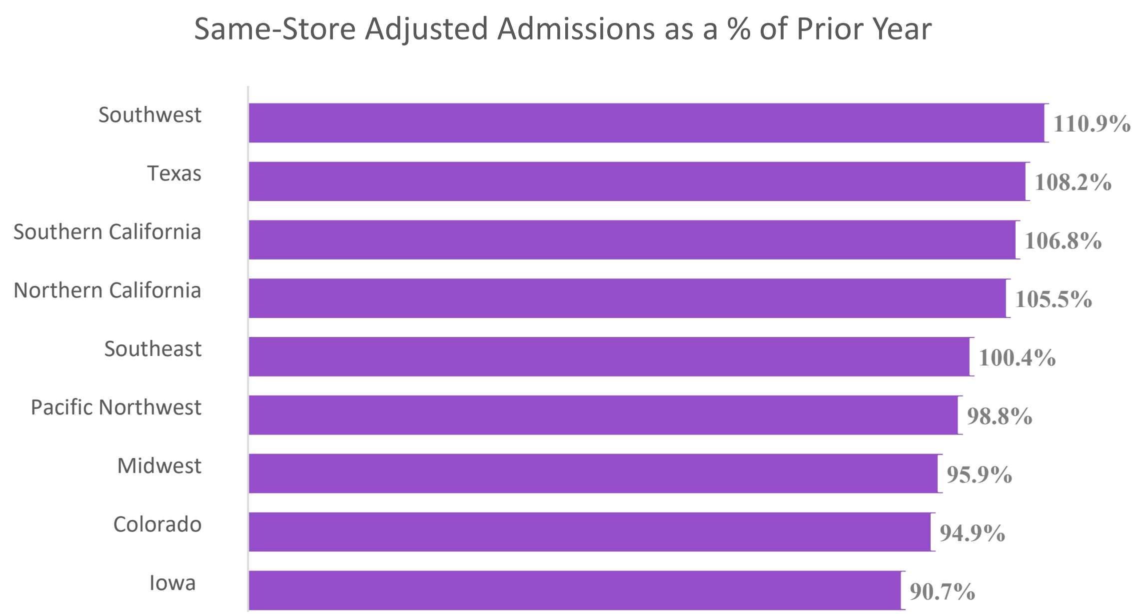
*** Adjusted to normalize the California Provider Fee Program income.*

**** Comparing the nine-month period ended March 31, 2022, as adjusted to the same period in the prior year as recorded.*

Following are the significant division performance drivers related to operating revenues compared to prior year for the nine-month period ended March 31, 2022:

- Pacific Northwest Division – operating revenues increased $651 million from the same period in the prior year, primarily due to additional revenue of $650 million related to the affiliation of VMHS effective January 1, 2021. Same-store adjusted admissions decreased from the prior year by 1.2%.
- Southwest Division – operating revenues increased $449 million from the same period in the prior year, primarily due to higher acuity, higher volumes, and additional revenue of $178 million related to the affiliation of YRMC effective November 1, 2020, and $44 million of additional provider fee revenue in Arizona due to the timing of approval compared to the prior year. Same-store adjusted admissions increased from the prior year by 10.9%.
- Colorado Division – operating revenues increased $195 million from the same period in the prior year, primarily due to higher acuity, partially offset by a 5.1% decrease in adjusted admissions.
- Southeast Division - operating revenues increased $163 million from the same period in the prior year, primarily due to higher commercial payor mix, and higher outpatient volume. Adjusted admissions increased from the prior year by 0.4%.
- Southern California Division – normalized operating revenues increased $143 million from the same period in the prior year, primarily due to higher volumes and stable payor mix. Adjusted admissions increased from the prior year by 6.8%.
- Northern California – normalized operating revenues increased $102 million from the same period in the prior year, primarily due to higher acuity and stable payor mix, and a 5.5% increase in adjusted admissions.
- Texas Division – operating revenues increased $99 million from the same period in the prior year, primarily due to higher acuity, an 8.2% increase in adjusted admissions, and stable payor mix.

The table below reflects the same-store adjusted admissions (excluding the impact of the affiliations with YRMC and VMHS) as a percentage of prior year, for the nine-month period ended March 31, 2022:



Balance Sheet Metrics

The following table provides key balance sheet metrics for CommonSpirit:

Key Balance Sheet Metrics ($ in millions)		March 31, 2022		June 30, 2021		Change
Consolidated Balance Sheet Summary						
Total assets	$	52,797	$	54,876	$	(2,079)
Total liabilities	$	31,090	$	32,978	$	(1,888)
Total net assets	$	21,707	$	21,898	$	(191)
Financial Position Ratios						
Unrestricted cash and investments	$	18,182	$	20,663	$	(2,481)
Days cash on hand		199		245		(46)
Total debt	$	15,454	$	15,542	$	(88)
Debt to capitalization		44.3%		44.2%		0.1%

Liquidity

Unrestricted cash and investments were $18.2 billion at March 31, 2022, and $20.7 billion at June 30, 2021. The decrease is primarily due to the recoupment of Medicare advances, payments of deferred payroll taxes, and changes in operating cash flows. CommonSpirit continues to actively monitor liquidity, given the operational disruption related to COVID-19.

Liquidity and Capital Resources ($ in millions)	March 31, 2022	June 30, 2021	Change
Cash	$ 2,872	$ 3,329	$ (457)
Short-term investments	706	1,124	(418)
Long-term investments, excluding assets limited as to use	14,604	16,210	(1,606)
Total unrestricted cash and investments	$ 18,182	$ 20,663	$ (2,481)

Capital Resources

Cash provided by operating activities totaled $389 million for the nine-month period ended March 31, 2022, compared to cash used of $2.1 billion for the same period in the prior year. Significant activity for the nine-month period ended March 31, 2022, includes the following:

- Investments decreased $2.2 billion during the nine-month period ended March 31, 2022, compared to an increase of $6.1 billion during the same period in the prior year, primarily due to weaker investment market performance in the current year and the addition of YRMC, VMMC and CSH OIP in the prior year.
- Medicare advances to be withheld from future Medicare fee-for-service payments decreased $1.0 billion during the nine-month period ended March 31, 2022, compared to an increase of $128 million during the same period in the prior year, due to recoupments during the current period.
- Accounts receivable, net, increased $508 million during the nine-month period ended March 31, 2022, compared to $673 million during the same period in the prior year.
- Accounts payable decreased $151 million during the nine-month period ended March 31, 2022, compared to $57 million during the same period in the prior year.

Cash used in investing activities totaled $740 million for the nine-month period ended March 31, 2022, compared to cash provided of $237 million for the same period in the prior year, primarily due to the following:

- Capital expenditures were $982 million during the nine-month period ended March 31, 2022, compared to $863 million during the same period in the prior year. Such capital expenditures primarily relate to expansion and renovation of existing facilities, equipment and systems additions and replacements, and various other capital improvements.
- Proceeds from asset sales were $271 million during the nine-month period ended March 31, 2022, compared to $918 million during the same period in the prior year, primarily due to the sale of joint venture shares in the prior year.
- Cash distributions from health-related activities were $70 million during the nine-month period ended March 31, 2022, compared to $260 million during the same period in the prior year.
- Investments in health-related activities were $54 million during the nine-month period ended March 31, 2022, compared to $143 million during the same period in the prior year.

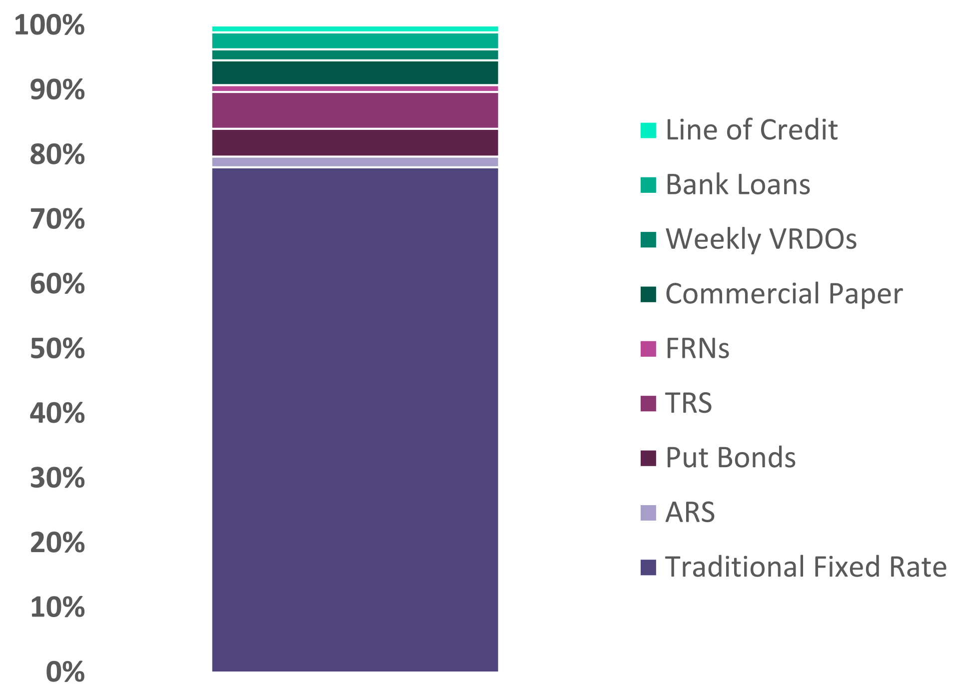
Cash used in financing activities totaled $106 million for the nine-month period ended March 31, 2022, compared to $158 million for the same period in the prior year, primarily due to the following:

- Net repayments of debt were $69 million during the nine-month period ended March 31, 2022, compared to $191 million during the same period in the prior year.

Debt Portfolio

CommonSpirit's Obligated Group is comprised of the former Dignity Health Obligated Group and CHI entities (collectively, the "CommonSpirit Obligated Group"). The CommonSpirit Obligated Group represents approximately 87% of consolidated revenues of CommonSpirit as of March 31, 2022. The debt portfolio remains well diversified, with a high proportion of long-term fixed rate debt providing stability.

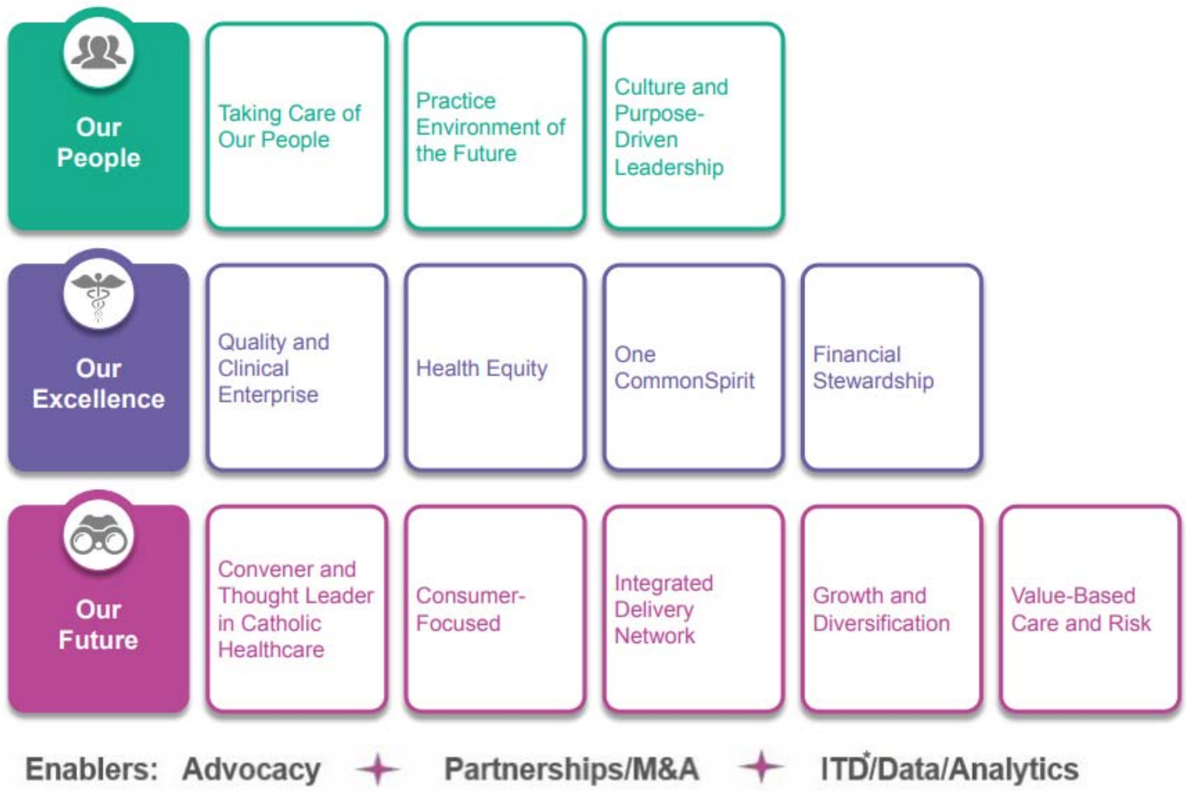
The chart below depicts CommonSpirit's debt mix as of March 31, 2022:



Strategic Focus and Priorities

CommonSpirit recently introduced its first five-year integrated strategic plan, CommonSpirit 2026. CommonSpirit 2026 is grounded in our mission, vision and values, informed by the dynamic environment around us, and mobilizes CommonSpirit's prior, current and future work around a common set of strategic priorities and focuses on where CommonSpirit can have the greatest impact. The plan repositions CommonSpirit to lead and transform health care to meet the evolving needs of our communities and consumers, particularly given the rapidly changing health care landscape and the disruption of the COVID-19 pandemic. CommonSpirit 2026 provides flexibility for our diverse operations and communities across 21 states to come together around a common direction and creates a path to maintaining long-term sustainability for the organization.

CommonSpirit 2026 is how we will deliver on our promise and is encapsulated in the form of three pillars, *Our People, Our Excellence* and *Our Future* as depicted and described in more detail below. Recent developments in selected areas are also highlighted as appropriate.



Our People: *Nurture our people by creating an environment and culture in which our diverse workforce can thrive while living their calling.*

- Nurturing and investing in our employees and providers is the greatest strength CommonSpirit has with a focus on their well-being and development while creating a safe and caring environment to bring out their best.
- Focus on system redesign, new care models, and technologies that align with clinicians' interests: respond to increasing patient demands, and make CommonSpirit a clinician's first choice of partner.
- Attract and retain leaders who find purpose in their work, and build competencies that reflect CommonSpirit's focus on well-being across a continuum of care and the enhanced importance of an agile, collaborative culture.

CommonSpirit believes in addressing both the near-term caregiver shortages, as well as addressing the root cause of these shortages through increasing the pipeline, including CommonSpirit's development of a national nurse residency program, and a virtual nursing program. The virtual nursing program uses RNs in remote locations to relieve onsite RNs from administrative tasks, and a new model that utilizes new team members to include pharmacists, LPNs, nursing assistants and paramedics in patient care. The use of these new team members supplements the limited number of RNs as virtual nurses can assist with the supervision and education of non-licensed personnel. The virtual nursing program is live in eight states with plans to roll these programs out at 130 locations systemwide over the next 18 months. The national nurse residency program is expected to be launched in late summer/early fall 2022.

CommonSpirit believes in supporting the whole person - physical, emotional, social, financial and spiritual wellness. The CommonSpirit Health Community has supported the pandemic shift to online learning by piloting and launching an experimental Care for Caregivers program and launched Crisis Leadership, a Leader's Guide to supporting employee distress, remote work and virtual facilitation training. CommonSpirit is developing agility to respond to emerging needs by utilizing micro-learning and mobile devices learning to reduce training burnout and offer on-demand with easy access, measuring linkages between learning and engagement and retention, aligning learning to workforce planning to assist in filling key skills gaps and providing open access training for new audiences (talent acquisition applicants, employees' families, patients and their families.)

CommonSpirit's Practice Environment of the Future is based on the principles of being clinically led, operationally enhanced, and technologically accelerated, scaling nationally common performance platforms, workflows and design standards that emphasize a synergetic focus on our patients, family, and employees, honoring every person and employee as unique individuals in environments of care that encourage healing and compassion. As an example, a key initiative for this priority, Care of the Future, was put into action in the Arkansas market and has succeeded in reducing patient wait time and unnecessary staff movements, and has improved patient cycle time. The pilot also succeeded in increasing clinic access by 3.5 hours per day, doubling available space for providers and decreasing spend by over $4 million.

Our Excellence: *Build on our foundation of growth and health equity through superior clinical quality, efficient capital and operations, and organizational agility to respond to shifting landscapes and health care disparities.*

- Excel in consistent clinical excellence by rapidly scaling best practices from innovators in and outside of CommonSpirit to create a high quality, consumer–centric patient experience.
- Shape the industry with a commitment to serve, advocate, and partner to meet the holistic health needs of diverse communities through focusing on the social determinants of health.
- Build an efficient, unified system through standardized ways of working, an agile operating model, controlled IT risk, and unified brand strategy.
- Strengthen the balance sheet and improve CommonSpirit's margin through optimizing the portfolio of patient care sites, reducing operating expenditures, and increasing capital efficiency.

As part of CommonSpirit's commitment to excellence and an expression of its mission and values, in November 2021, the organization announced an industry-leading commitment to achieve net-zero greenhouse gas emissions by 2040 with an interim target to cut operational emissions in half by 2030. As one of the nation's largest, most diverse and leading health systems, CommonSpirit's pledge will impact the climate crisis by delivering more sustainable, resilient, and climate-smart health care across its 21-state footprint. CommonSpirit is focused on systematic efforts to track and report on its Net Zero initiatives as well as other Environmental, Social and Governance initiatives. Following is a link to CommonSpirit's Environmental Stewardship site, which includes its FY2021 Sustainability Report: https://www.commonspirit.org/what-we-do/advancing-health-equity/environmental-stewardship.

Additionally, in November 2021, CommonSpirit launched the Clinical Leadership Council ("CLC"), an inter-professional authority that governs CommonSpirit's Clinical Enterprise. The CLC's purpose is to promote collaboration and engagement. The objectives are to 1) create an integrated clinical governance model that will organize and streamline existing and new clinical governance bodies across CommonSpirit, provide oversight and direction, and empower these bodies with appropriate decisional authority; 2) assist clinical leadership in establishing common expectations and a unified care philosophy that aligns with CommonSpirit's mission, vision and values; 3) inform clinical goals and objectives; 4) build pathways for collaboration across clinical and operational disciplines to optimize clinical effectiveness; and 5) establish evidence-based practices to drive outcomes and reduce variation. As a result, CommonSpirit expects to optimize care processes, achieve outstanding clinical outcomes, and provide high-quality, high-value, patient-centered care.

Our Future: *Cultivate an ecosystem that is consumer-centered and committed to meeting the holistic needs of each consumer and improving the health of our communities.*

- Serve as a reputable leader in Catholic health care through active engagement, servant leadership, and measurable impact in the communities CommonSpirit serves.
- Implement a patient-centered, personalized care experience that is easy to access, understand and navigate, and grounded in consumer journeys – with a focus on a broad range of access points and care modalities.
- Scale integrated care across the continuum with strong provider alignment and an ecosystem of partners and owned assets.
- Advance CommonSpirit's portfolio of diverse investments to transform care delivery, be a preferred partner in a new health care landscape, and thrive in an ever-changing health care environment.
- Establish CommonSpirit as an at-scale adopter of value-based arrangements through enhanced population health capabilities and a broader continuum of care.

As part of its work to expand access to patient-centered, personalized care, CommonSpirit continues to invest in virtual care through video visits, online health assessments, pre-visit screening, and other means to deliver care to our communities. Virtual care extends across the continuum of care (virtual nursing, pharmacy, ICU, health at home, palliative care and other applications). Since the onset of the COVID-19 pandemic through March 31, 2022, CommonSpirit provided approximately 2.3 million virtual visits.

CommonSpirit continues to build upon cross-disciplinary Population Health capabilities, to leverage and accelerate existing investments, and innovate to drive value-based care transformation across CommonSpirit, ignited by the shifting reimbursement landscape. Value-based agreements ("VBAs") contain reimbursement provisions linked to successfully achieving measures designed to improve quality of care, the patient experience, physician and payor alignment, and the cost of health care of an attributed population. As of January 1, 2022, CommonSpirit provides care for approximately 2.7 million people attributed to VBAs, of which nearly 50% are in downside risk, signaling a robust commitment to value-based care. National, coordinated initiatives focused on VBA performance have shown early success. CommonSpirit's accountable care organizations ("ACOs") provided 12% more annual wellness visits than the prior year period. The increase in visits allows CommonSpirit's providers to proactively address health concerns while enabling patients to receive appropriate preventative clinical services. CommonSpirit saw an overall 4% improvement across the system in blood pressure control, focusing on engaging and educating patients in self-management. These types of initiatives contributed to the success in the Center for Medicare and Medicaid Services ACO programs during fiscal year 2020, driving $136 million in shared savings to Medicare and $70 million in earned shared savings to CommonSpirit, achieving a 98% average quality score, and also to the success of the Medicaid Bundled Payment Programs, driving $145 million in earned shared savings. While fiscal year 2021 results are not yet available, CommonSpirit continues to build on its successes in shared savings. This work is supported by the development of an all payor value-based claims source database, to provide an unprecedented view of CommonSpirit's value-based populations.

Exhibit I

Unaudited Condensed Consolidated Financial Statements as of and for the Three and Nine-Month Periods Ended March 31, 2022 and 2021

(ATTACHED)

COMMONSPIRIT HEALTH

UNAUDITED CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

For the Three and Nine-Month Periods Ended March 31, 2022 and 2021

COMMONSPIRIT HEALTH

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QUARTERLY FINANCIAL STATEMENTS

COMMONSPIRIT HEALTH

CONDENSED CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2022 AND JUNE 30, 2021
(in millions)

Assets	As of March 31, 2022 (Unaudited)	As of June 30, 2021
Current assets:		
Cash and cash equivalents	$ 2,872	$ 3,329
Short-term investments	706	1,124
Patient accounts receivable, net	4,624	4,323
Provider fee receivable	982	1,151
Other current assets	3,557	2,354
Total current assets	12,741	12,281
Long-term investments	17,810	19,497
Property and equipment, net	15,652	16,274
Right-of-use operating lease assets	1,734	1,892
Ownership interests in health-related activities	3,017	3,141
Other long-term assets, net	1,843	1,791
Total assets	$ 52,797	$ 54,876

(Continued)

COMMONSPIRIT HEALTH

CONDENSED CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2022 AND JUNE 30, 2021
(in millions)

Liabilities and Net Assets	As of March 31, 2022 (Unaudited)	As of June 30, 2021
Current liabilities:		
Current portion of long-term debt	$ 1,467	$ 754
Demand bonds subject to short-term liquidity arrangements	247	247
Accounts payable	1,491	1,705
Accrued salaries and benefits	1,628	1,994
Provider fee payables	327	405
Medicare advances	1,440	1,422
Other accrued liabilities - current	3,462	2,931
Total current liabilities	10,062	9,458
Other liabilities - long-term:		
Self-insured reserves and claims	1,064	1,024
Pension and other postretirement benefit liabilities	3,673	3,761
Derivative instruments	137	287
Operating lease liabilities	1,647	1,801
Medicare advances - long-term	-	1,088
Other accrued liabilities - long-term	767	1,018
Total other liabilities - long-term	7,288	8,979
Long-term debt, net of current portion	13,740	14,541
Total liabilities	31,090	32,978
Net assets:		
Without donor restrictions - attributable to CommonSpirit Health	19,457	19,646
Without donor restrictions - noncontrolling interests	1,132	1,187
With donor restrictions	1,118	1,065
Total net assets	21,707	21,898
Total liabilities and net assets	$ 52,797	$ 54,876

See notes to unaudited condensed consolidated financial statements.

COMMONSPIRIT HEALTH

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS FOR THE THREE AND NINE-MONTH PERIODS ENDED MARCH 31, 2022 AND 2021 (in millions)

	Three-Month Periods Ended March 31,		Nine-Month Periods Ended March 31,	
	2022	2021	2022	2021
Operating revenues:				
Net patient revenue	$ 7,479	$ 7,355	$ 23,137	$ 21,411
Premium revenue	289	305	858	899
Revenue from health-related activities, net	20	98	144	267
Other operating revenue	453	1,063	1,493	2,218
Contributions	20	22	56	50
Total operating revenues	8,261	8,843	25,688	24,845
Operating expenses:				
Salaries and benefits	4,684	4,175	13,547	11,766
Supplies	1,354	1,300	4,240	3,833
Purchased services and other	2,333	2,335	7,067	6,734
Depreciation and amortization	367	380	1,123	1,110
Interest expense, net	114	114	349	333
Total operating expenses	8,852	8,304	26,326	23,776
Operating income (loss)	(591)	539	(638)	1,069
Nonoperating income (loss):				
Investment income, net	(183)	636	219	2,448
Loss on early extinguishment of debt	-	-	-	(12)
Income tax benefit (expense)	4	(103)	(72)	(133)
Change in fair value and cash payments of interest rate swaps	95	103	117	145
Contribution from business combination	-	517	-	1,026
Other components of net periodic postretirement costs	69	15	210	44
Other	(2)	2	(5)	11
Total nonoperating income (loss), net	(17)	1,170	469	3,529
Excess (deficit) of revenues over expenses	$ (608)	$ 1,709	$ (169)	$ 4,598
Less excess (deficit) of revenues over expenses attributable to noncontrolling interests	(16)	49	36	192
Excess (deficit) of revenues over expenses attributable to CommonSpirit Health	$ (592)	$ 1,660	$ (205)	$ 4,406

(Continued)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS FOR THE THREE AND NINE-MONTH PERIODS ENDED MARCH 31, 2022 AND 2021 (in millions)

	Without Donor Restrictions			
	Attributable to CommonSpirit Health	Noncontrolling Interests	With Donor Restrictions	Total Net Assets
Balance, December 31, 2020	$ 15,082	$ 1,096	$ 929	$ 17,107
Excess of revenues over expenses	1,660	49	-	1,709
Contributions	-	-	21	21
Contributions from business combinations	-	-	68	68
Net assets released from restrictions for capital	12	-	(12)	-
Net assets released from restrictions for operations and other	-	-	(17)	(17)
Loss from discontinued operations, net	(1)	-	-	(1)
Other	17	(44)	27	-
Increase in net assets	1,688	5	87	1,780
Balance, March 31, 2021	$ 16,770	$ 1,101	$ 1,016	$ 18,887
Balance, December 31, 2021	$ 20,042	$ 1,204	$ 1,126	$ 22,372
Deficit of revenues over expenses	(592)	(16)	-	(608)
Contributions	-	-	23	23
Net assets released from restrictions for capital	8	-	(8)	-
Net assets released from restrictions for operations and other	-	-	(16)	(16)
Loss from discontinued operations, net	(2)	-	-	(2)
Other	1	(56)	(7)	(62)
Decrease in net assets	(585)	(72)	(8)	(665)
Balance, March 31, 2022	$ 19,457	$ 1,132	$ 1,118	$ 21,707

(Continued)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS FOR THE THREE AND NINE-MONTH PERIODS ENDED MARCH 31, 2022 AND 2021 (in millions)

	Without Donor Restrictions			
	Attributable to CommonSpirit Health	Noncontrolling Interests	With Donor Restrictions	Total Net Assets
Balance, June 30, 2020	$ 12,317	$ 419	$ 859	$ 13,595
Excess of revenues over expenses	4,406	192	-	4,598
Contributions	-	-	74	74
Contribution from business combination	-	573	73	646
Net assets released from restrictions for capital	22	-	(22)	-
Net assets released from restrictions for operations and other	-	-	(35)	(35)
Change in funded status of pension and other postretirement benefit plans	(1)	-	-	- (1)
Other	26	(83)	67	10
Increase in net assets	4,453	682	157	5,292
Balance, March 31, 2021	$ 16,770	$ 1,101	$ 1,016	$ 18,887
Balance, June 30, 2021	$ 19,646	$ 1,187	$ 1,065	$ 21,898
Excess (deficit) of revenues over expenses	(205)	36	-	(169)
Contributions	-	-	98	98
Net assets released from restrictions for capital	24	-	(24)	-
Net assets released from restrictions for operations and other	-	-	(54)	(54)
Loss from discontinued operations, net	(14)	-	-	(14)
Other	6	(91)	33	(52)
Increase (decrease) in net assets	(189)	(55)	53	(191)
Balance, March 31, 2022	$ 19,457	$ 1,132	$ 1,118	$ 21,707

See notes to unaudited condensed consolidated financial statements.

COMMONSPIRIT HEALTH

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE-MONTH PERIODS ENDED MARCH 31, 2022 AND 2021
(in millions)

	Nine-Month Periods Ended March 31, 2022	2021
Cash flows from operating activities:		
Change in net assets	$ (191)	$ 5,292
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities:		
Loss on early extinguishment of debt	-	12
Depreciation and amortization	1,123	1,110
Changes in equity of health-related entities	(144)	(267)
Changes in consolidation of health-related entities	51	-
Contribution from business combination	-	(1,026)
Net assets related to business combination	-	(73)
Net gain on sales of facilities and investments in unconsolidated organizations	(2)	(75)
Noncash operating expenses related to restructuring, impairment and other losses	5	-
Change in fair value of swaps	(163)	(201)
Noncash adjustments of pension and other postretirement benefit plans	(218)	210
Pension cash contributions	(11)	(4)
Changes in certain assets and liabilities:		
Accounts receivable, net	(508)	(673)
Accounts payable	(151)	(57)
Self-insured reserves and claims	26	(65)
Accrued salaries and benefits	(326)	208
Changes in broker receivables/payables for unsettled investment trades	108	53
Provider fee assets and liabilities	90	(96)
Medicare advances	(1,014)	128
Other accrued liabilities	(3)	(110)
Prepaid and other current assets	(90)	(489)
Other, net	(357)	204
Cash provided by (used in) operating activities before net change in investments	(1,775)	4,081
Net (increase) decrease in investments	2,164	(6,145)
Cash provided by (used in) operating activities	389	(2,064)

(Continued)

COMMONSPIRIT HEALTH

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE-MONTH PERIODS ENDED MARCH 31, 2022 AND 2021
(in millions)

	Nine-Month Periods Ended March 31, 2022	Nine-Month Periods Ended March 31, 2021
Cash flows from investing activities:		
Purchases of property and equipment	(982)	(863)
Investments in health-related activities	(54)	(143)
Business acquisitions, net of cash acquired	(2)	208
Proceeds from asset sales	271	918
Cash distributions from health-related activities	70	260
Other, net	(43)	(143)
Cash provided by (used in) investing activities	(740)	237
Cash flows from financing activities:		
Borrowings	118	2,348
Repayments	(187)	(2,539)
Loss on early extinguishment of debt	-	(12)
Swaps cash collateral posted	13	107
Distributions to noncontrolling interests	(43)	(62)
Contribution by noncontrolling interests	(7)	-
Cash used in financing activities	(106)	(158)
Net decrease in cash and cash equivalents	(457)	(1,985)
Cash and cash equivalents at beginning of period	3,329	5,927
Cash and cash equivalents at end of period	$ 2,872	$ 3,942
Supplemental disclosures of cash flow information:		
Cash paid for interest, net of capitalized interest	$ 331	$ 298
Supplemental schedule of noncash investing and financing activities:		
Property and equipment acquired through finance lease or note payable	$ 26	$ 150
Investments in health-related activities	$ 40	$ 106
Accrued purchases of property and equipment	$ 58	$ 78

See notes to unaudited condensed consolidated financial statements.

1. ORGANIZATION

CommonSpirit Health is a Colorado nonprofit public benefit corporation exempt from federal and state income taxes. CommonSpirit Health is a Catholic health care system sponsored by the public juridic person, Catholic Health Care Federation ("CHCF").

CommonSpirit Health owns and operates health care facilities in 21 states and is the sole corporate member (parent corporation) of other primarily nonprofit corporations that are exempt from federal and state income taxes. CommonSpirit Health is comprised of more than 1,500 care sites, consisting of 142 hospitals, including academic health centers, major teaching hospitals, and critical access facilities, community health services organizations, accredited nursing colleges, home health agencies, living communities, a medical foundation and other affiliated medical groups, and other facilities and services that span the inpatient and outpatient continuum of care. CommonSpirit Health also has offshore and onshore captive insurance companies. The accompanying unaudited condensed consolidated financial statements include CommonSpirit Health and its direct affiliates and subsidiaries (together, "CommonSpirit").

CommonSpirit Health and substantially all of its direct affiliates and subsidiaries have been granted exemptions from federal income tax as charitable organizations under Section 501(c)(3) of the Internal Revenue Code.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The accompanying unaudited condensed consolidated financial statements of CommonSpirit were prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and include the accounts of all wholly-owned affiliates and affiliates over which CommonSpirit exercises control or has a controlling financial interest, after elimination of intercompany transactions and balances.

Reclassification – Certain reclassifications and changes in presentation were made in the 2021 consolidated financial statements to conform to the 2022 presentation of the statement of cash flows. This is a result of the reassessment of financial statement presentation methodology regarding the classification of underlying investments due to ongoing integration efforts related to the affiliation between Dignity Health and Catholic Health Initiatives ("CHI"), including the consolidation of its investments into the CommonSpirit Health Operating Investments Pool, LLC in October 2020. These changes to the presentation of total cash and cash equivalents were reflected in the June 30, 2021, consolidated audited financial statements, impacting the beginning balance and net (increase) decrease in investments in the unaudited condensed consolidated statement of cash flows for the nine-month period ended March 31, 2021. These reclassifications did not have any impact on net assets or changes in net assets.

In the three-month period ended December 31, 2021, CommonSpirit reclassified assets and liabilities previously held for sale as ministries in North Dakota and Minnesota no longer met the requirements as held for sale. The assets and liabilities were classified as held for sale, within other current assets and other accrued liabilities - current, respectively, in the audited consolidated balance sheet as of June 30, 2021, but have been reclassified for all periods presented to the respective financial statement line items in the accompanying condensed consolidated financial statements. Additional depreciation expense related to the reclassification was recorded in the three-month period ended December 31, 2021, and is immaterial to the unaudited condensed consolidated financial statements.

The adjusted balances as of June 30, 2021, in the condensed consolidated financial statement presentation for applicable lines, are included below as a result of the held for sale reclassification above (in millions):

	As Originally Presented	Reclassifications	As Adjusted
Other current assets	2,712	(358)	2,354
Long-term investments	19,480	17	19,497
Property and equipment, net	16,002	272	16,274
Right-of-use operating lease assets	1,863	29	1,892
Ownership interests in health-related activities	3,107	34	3,141
Other long-term assets, net	1,785	6	1,791
Total assets	$ 44,949	$ -	$ 44,949
Other accrued liabilities - current	2,984	(53)	2,931
Operating lease liabilities	1,750	51	1,801
Other accrued liabilities - long-term	1,017	1	1,018
Long-term debt, net of current portion	14,540	1	14,541
Total liabilities	$ 20,291	$ -	$ 20,291

Use of Estimates – The preparation of financial statements in conformity with U.S. GAAP 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. CommonSpirit considers critical accounting policies to be those that require more significant judgments and estimates in the preparation of its consolidated financial statements, including the following: recognition of net patient revenue, which includes contractual discounts and adjustments; price concessions and charity care; fair value of acquired assets and assumed liabilities in business combinations; recorded values of depreciable and amortizable assets, investments and goodwill; reserves for self-insured workers' compensation and professional and general liabilities; contingent liabilities; and assumptions for measurement of pension and other postretirement benefit liabilities. Management bases its estimates on historical experience and various other assumptions that it believes are reasonable under the particular circumstances. Actual results could differ from those estimates.

Patient Accounts Receivable and Net Patient Revenue – Patient service revenue is reported at the amounts that reflect the consideration CommonSpirit expects to be paid in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others, and include consideration for retroactive revenue adjustments due to settlement of audits and reviews. Generally, performance obligations for patients receiving inpatient acute care services and outpatient services are recognized over time as services are provided. Net patient revenue is primarily comprised of hospital and physician services.

CommonSpirit determines the transaction price based on standard charges for services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured and underinsured patients in accordance with CommonSpirit's financial assistance policy, and implicit price concessions related to uninsured and underinsured patients. CommonSpirit determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policy, and historical experience. CommonSpirit determines its estimate of implicit price concessions based on its historical collection experience with these classes of patients using a portfolio approach as a practical expedient to account for patient contracts as collective groups rather than individually. CommonSpirit relies on the results of detailed reviews of historical write-offs and collections in estimating the collectability of accounts receivable. Updates to the hindsight analysis are performed at least quarterly using primarily a rolling eighteen-month collection history and write-off data. Subsequent changes to estimates of the transaction price are generally recorded as adjustments to net patient revenue in the period of the change.

Subsequent changes that are determined to be the result of an adverse change in a third-party payor's ability to pay are recorded as bad debt expense in purchased services and other in the accompanying unaudited condensed consolidated statements of operations and changes in net assets. Bad debt expense for the nine-month periods ended March 31, 2022 and 2021, was not significant.

Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements included in net patient revenue follows:

Medicare: Payments for inpatient services are generally made on a prospectively determined rate based on clinical diagnosis. Certain facilities receive cost-based reimbursement. Hospital outpatient services are generally paid based on prospectively determined rates. Physician services are paid based upon established fee schedules.

Medicaid: Payments for inpatient services are generally made on a prospectively determined rate based on clinical diagnosis or on a per case or per diem basis. Hospital outpatient services and physician services are paid based upon established fee schedules, a cost basis reimbursement methodology, or discounts from established charges.

Commercial: Payments for inpatient and outpatient services provided to patients covered under commercial insurance policies are paid using a variety of payment methodologies, including per diem and case rates.

Self-Pay and Other: Payment agreements with uninsured or underinsured patients, along with other responsible entities, including institutions, other hospitals and other government payors, are based on a variety of payment methodologies.

Net patient revenue includes estimated settlements under payment agreements with third-party payors. Settlements with third-party payors are accrued on an estimated basis in the period in which the related services are rendered and adjusted in future periods as final settlements are determined. These settlements are estimated and evaluated based on the terms of the payment agreement with the payor, correspondence from the payor, and historical settlement activity.

Recent Accounting Pronouncements – In August 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2018-14, *Compensation – Retirement Benefits – Defined Benefit Plans – General (Subtopic 715-20) Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans*, which applies to employer sponsored defined benefit pension and other postretirement plans. The amendments modify, remove and add certain disclosure requirements. The guidance is effective for CommonSpirit for the annual period ended June 30, 2022. CommonSpirit is evaluating the effect on the consolidated financial statements.

Subsequent Events **–** CommonSpirit has evaluated subsequent events occurring between the end of the most recent fiscal quarter and May 13, 2022, the date the unaudited condensed consolidated financial statements were issued. See Note 3.

3. ACQUISITIONS, AFFILIATIONS AND DIVESTITURES

Yavapai Regional Medical Center – In November 2020, a consolidated affiliate of CommonSpirit, Dignity Community Care ("DCC"), and Yavapai Community Hospital Association, dba Yavapai Regional Medical Center ("YRMC"), an Arizona nonprofit corporation, effected a business combination which transferred the sole membership of YRMC and its applicable subsidiaries to DCC for no cash consideration. YRMC owns and operates two acute care hospitals, a regional wellness center, an imaging center, a network of primary and specialty physician clinics, and a fundraising foundation in the Prescott, Arizona area. The transaction resulted in the recognition of a $509 million gain, recorded as contribution from business combination in nonoperating income (loss) in the accompanying condensed consolidated statements of operations and changes in net assets, and $5 million was recorded as contribution from business combination for net assets with donor restrictions, calculated as the fair value of the excess of identifiable assets acquired over liabilities assumed, determined based on Level 3 inputs, including estimated cash flows and probability weighted performance assumptions. The gain on business combination was recorded in the three-month period ended December 31, 2020.

Virginia Mason Health System – In January 2021, CommonSpirit formed a new integrated health system through the creation of a Joint Operating Company ("JOC"), Virginia Mason Franciscan Health ("VMFH"), a Washington nonprofit corporation, bringing together CommonSpirit Franciscan Health System and Virginia Mason Health System ("VMHS"). With the addition of an acute hospital and other care sites from VMHS, VMFH now operates eleven hospitals and nearly 300 sites of care within the Pacific Northwest. The JOC is a controlled subsidiary of CommonSpirit. Based on the terms of the JOC agreement, CommonSpirit will consolidate the operations of VMHS, and accounted for the business combination using the acquisition method of accounting. The agreement did not include consideration, and resulted in the recognition of a $517 million gain recorded as contribution from business combination in nonoperating income (loss) in the accompanying condensed consolidated statements of operations and changes in net assets, and $68 million was recorded as contribution from business combination for net assets with donor restrictions, calculated as the fair value of the excess of identifiable assets acquired over liabilities assumed, determined based on Level 3 inputs, including estimated future cash flows and probability weighted performance assumptions. The gain on business combination was recorded in the three-month period ended March 31, 2021.

The following summarizes the fair value estimate of YRMC and VMHS's assets acquired and liabilities assumed as of November 1, 2020 and January 1, 2021, respectively (in millions):

	YRMC	VMHS
Current assets	$ 226	$ 391
Long-term investments	124	429
Property and equipment, net	272	576
Other long-term assets, net	63	161
Current liabilities	(33)	(319)
Other liabilities - long-term	(7)	(180)
Long-term debt, net of current portion	(131)	(473)
Total contribution of net assets	$ 514	$ 585

Other – In February 2022, CommonSpirit entered into a definitive agreement to acquire two hospital facilities, one in western Kansas and one in northern Colorado. The acquired facilities will support the mission and strategy to expand the scope and quality of care in those rural and surrounding communities, and will be managed by Centura Health pursuant to our existing Joint Operating Agreement. The transaction was completed and effective on May 1, 2022.

In the three-month period ended December 31, 2021, CommonSpirit reclassified the assets and liabilities previously held for sale as ministries in North Dakota and Minnesota no longer met the requirements as held for sale. See reclassification of assets and liabilities previously held for sale in Note 2.

In March 2021, CommonSpirit sold a portion of its investment in a joint venture resulting in a pre-tax gain of $523 million which is included in other operating revenue in the condensed consolidated statements of operations and changes in net assets. Income tax expense of $93 million is recorded in nonoperating income (loss). CommonSpirit will continue to account for its remaining interest in the joint venture under the equity method.

Held for Sale – In April 2022, CommonSpirit and Trinity Health signed an agreement for Trinity Health to acquire all facilities and assets of MercyOne, a regional health system in Iowa. MercyOne has operated under a Joint Operating Agreement between Trinity Health and CommonSpirit. The transaction is expected to close in early fiscal year 2023, subject to regulatory and customary closing conditions. As such, certain assets and liabilities of the Iowa ministries are classified as held for sale, within other current assets and other accrued liabilities - current, respectively, in the accompanying condensed consolidated balance sheet as of March 31, 2022.

A summary of major classes of assets and liabilities held for sale is presented below as of March 31, 2022 (in millions):

Cash and cash equivalents	$	58
Patient accounts receivable, net		154
Other current assets		57
Long-term investments		73
Property and equipment, net		397
Right-of-use operating lease assets		121
Ownership interests in health-related activities		124
Other long-term assets, net		10
Total assets held for sale	$	994
Current portion of long-term debt	$	1
Accounts payable		33
Accrued salaries and benefits		37
Medicare advances		56
Other accrued liabilities - current		60
Operating lease liabilities		109
Other accrued liabilities - long-term		1
Long-term debt, net of current portion		2
Total liabilities held for sale	$	299

4. COVID-19 PANDEMIC

In December 2019, a novel strain of coronavirus, known as COVID-19, was first detected. The virus spread worldwide and in March 2020 was declared a pandemic by the World Health Organization. The Centers for Disease Control and Prevention confirmed the first case in the United States in February 2020, and with the rapid spread across all 50 states, the United States government passed new laws designed to help the nation respond to this pandemic.

The CARES Act provides stimulus in the form of financial aid to cover extensive emergency funding to hospitals and providers through existing mechanisms to prevent, prepare for, and respond to COVID-19. CommonSpirit received approximately $478 million and $1.1 billion in fiscal years 2021 and 2020, respectively, of which $690 million and $826 million was recognized in fiscal years 2021 and 2020, respectively, within other operating revenues, under the CARES Act in the form of provider relief grants as reimbursement through the Public Health and Social Services Emergency Fund for lost revenues attributable to COVID-19 ("CARES PRF"). An additional $5 million and $21 million was received in the three and nine-month periods ending March 31, 2022, respectively. These payments are recorded as other operating revenues, as earned. These funds are not required to be repaid upon attestation and compliance with certain terms and conditions. For the nine-month periods ended March 31, 2022 and 2021, $20 million and $617 million, respectively, has been recognized within other operating revenue. As of March 31, 2022, and June 30, 2021, $16 million and $15 million, respectively, of deferred revenue is included within other accrued liabilities - current, in the condensed consolidated balance sheets. CommonSpirit will continue to monitor the terms and conditions of the CARES PRF funding and the impact of the pandemic on revenues and expenses.

To date, CommonSpirit has also received $2.8 billion in funds under the Medicare Accelerated and Advance Payment Program, of which $2.6 billion was received as of June 30, 2020, and the remainder in fiscal year 2021. No additional funds have been received in fiscal year 2022. These payments are advances that will be recouped by withholding future Medicare fee-for-service payments for claims until such time as the full accelerated payment has been recouped. As of March 31, 2022, and June 30, 2021, the terms and conditions in effect prescribe that any outstanding balance remaining after 29 months from date of receipt are subject to interest of 4%. As such,

$1.4 billion is recorded as a current liability in Medicare advances and $56 million is recorded in other accrued liabilities – current related to the portion classified as held for sale, as of March 31, 2022. As of June 30, 2021, $1.4 billion was recorded as a current liability in Medicare advances, and $1.1 billion was recorded in Medicare advances – long-term.

CommonSpirit had deferred approximately $416 million of employer payroll taxes through March 31, 2022, pursuant to the Paycheck Protection Program and Health Care Enhancement Act, of which $208 million was paid in December 2021, and $208 million is recorded as a current liability in accrued salaries and benefits.

CommonSpirit recorded $64 million of Employee Retention Credits under the CARES Act during the three month period ended September 30, 2021. These funds relate to qualified wages paid between April 1, 2020, and June 30, 2020, and are recorded in other operating revenue.

While the aid received from the programs above provides much needed assistance during this crisis, CommonSpirit is unable to assess the extent to which the amounts and benefits received, or to be received, will offset the negative impacts on its results of consolidated operations and financial position arising from the COVID-19 pandemic.

5. NET PATIENT REVENUE

Patient revenue, net of contractual discounts and adjustments and implicit price concessions, is comprised of the following (in millions):

	Three-Month Periods Ended March 31, 2022	Three-Month Periods Ended March 31, 2021	Nine-Month Periods Ended March 31, 2022	Nine-Month Periods Ended March 31, 2021
Government	$ 3,528	$ 3,823	$ 11,374	$ 10,932
Contracted	3,274	2,912	9,812	8,760
Self-pay and other	677	620	1,951	1,719
	$ 7,479	$ 7,355	$ 23,137	$ 21,411

Government payor type includes Medicare fee for service, Medicare capitated, Medicare managed care fee for service, Medicaid fee for service, Medicaid capitated and Medicaid managed care fee for service patient accounts. Contracted payor type includes contracted rate payors and commercial capitated patient accounts.

6. CASH AND INVESTMENTS

CommonSpirit's cash and investments include consolidated membership interests in the CommonSpirit Health Operating Investment Pool, LLC as of March 31, 2022, and June 30, 2021. Short-term and long-term investments also include assets limited as to use set aside by CommonSpirit for future long-term purposes as outlined below (in millions):

	As of March 31, 2022	As of June 30, 2021
Cash and cash equivalents	$ 2,872	$ 3,329
Short-term investments	706	1,124
Long-term investments	17,810	19,497
Total cash and investments	21,388	23,950
Less:		
Held for self-insured claims	1,807	1,888
Under bond indenture agreements for debt service	117	85
Donor-restricted	600	607
Other	682	707
Total assets limited as to use	3,206	3,287
Unrestricted cash and investments	$ 18,182	$ 20,663

7. FAIR VALUE MEASUREMENTS

CommonSpirit accounts for certain assets and liabilities at fair value or on a basis that approximates fair value. A fair value hierarchy for valuation inputs categorizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of the three levels and is determined by the lowest level of input that is significant to the fair value measurement in its entirety. These levels are:

Level 1: Quoted prices are available in active markets for identical assets or liabilities as of the measurement date. Financial assets in this category include money market funds, U.S. Treasury securities and listed equities.

Level 2: Pricing inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Financial assets and liabilities in this category generally include asset-backed securities, corporate bonds and loans, municipal bonds, and derivative instruments.

Level 3: Pricing inputs are generally unobservable for the assets or liabilities and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require management's judgment or estimation of assumptions that market participants would use in pricing the assets or liabilities. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

The following represents assets and liabilities measured at fair value or at the net asset value ("NAV") practical expedient on a recurring basis as of March 31, 2022, and June 30, 2021, respectively (in millions):

	March 31, 2022			
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets				
Cash and short-term investments	$ 3,226	$ 153	$ -	$ 3,379
U.S. government securities	1,152	317	-	1,469
U.S. corporate bonds	76	690	-	766
U.S. equity securities	1,985	3	-	1,988
Foreign government securities	-	97	-	97
Foreign corporate bonds	1	247	-	248
Foreign equity securities	1,899	1	-	1,900
Asset-backed securities	-	143	-	143
Private equity	-	-	54	54
Real estate	38	1	-	39
Community Investment Program	-	-	136	136
Other investments	186	295	-	481
Assets measured at fair value	$ 8,563	$ 1,947	$ 190	10,700
Assets at NAV				10,761
Assets classified as held for sale included above				(73)
Total assets				$ 21,388
Liabilities				
Derivative instruments	$ -	$ 309	$ -	$ 309
Other	1	-	95	96
Total liabilities	$ 1	$ 309	$ 95	$ 405

	June 30, 2021			
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets				
Cash and short-term investments	$ 3,543	$ 289	$ -	$ 3,832
U.S. government securities	1,350	489	-	1,839
U.S. corporate bonds	120	1,314	-	1,434
U.S. equity securities	2,969	5	-	2,974
Foreign government securities	-	256	-	256
Foreign corporate bonds	1	825	-	826
Foreign equity securities	3,008	1	-	3,009
Asset-backed securities	-	146	-	146
Private equity	-	-	65	65
Real estate	49	1	-	50
Community Investment Program	-	-	132	132
Other investments	234	182	-	416
Assets measured at fair value	$ 11,274	$ 3,508	$ 197	14,979
Assets at NAV				8,971
Total assets				$ 23,950
Liabilities				
Derivative instruments	$ -	$ 472	$ -	$ 472
Other	4	-	90	94
Total liabilities	$ 4	$ 472	$ 90	$ 566

Assets and liabilities measured at fair value on a recurring basis reflected in the table above are reported in short-term investments, long-term investments, current liabilities and other liabilities in the accompanying condensed consolidated balance sheets.

The Level 2 and 3 instruments listed in the fair value hierarchy tables above use the following valuation techniques and inputs:

For marketable securities, such as U.S. and foreign government securities, U.S. and foreign corporate bonds, U.S. and foreign equity securities, mortgage and asset-backed securities, and structured debt, in the instances where identical quoted market prices are not readily available, fair value is determined using quoted market prices and/or other market data for comparable instruments and transactions in establishing prices, discounted cash flow models and other pricing models. These inputs to fair value are included in industry-standard valuation techniques, such as the income or market approach. CommonSpirit classifies all such investments as Level 2.

For private equity investments where no fair value is readily available, the fair value is determined using models that take into account relevant information considered material. Due to the significant unobservable inputs present in these valuations, CommonSpirit classifies all such investments as Level 3.

The fair value of collateral held under securities lending program is classified as Level 2. The collateral held under this program is placed in commingled funds whose underlying investments are valued using techniques similar to those used for the marketable securities noted above. Amounts reported do not include noncash collateral of $61 million and $209 million as of March 31, 2022, and June 30, 2021, respectively.

The fair value of assets and liabilities for derivative instruments, such as interest rate swaps classified as Level 2, is determined using an industry standard valuation model, which is based on a market approach. A credit risk spread (in basis points) is added as a flat spread to the discount curve used in the valuation model. Each leg is discounted and the difference between the present value of each leg's cash flows equals the fair value of the swap.

Investments that are measured using the NAV per share practical expedient have not been classified in the fair value hierarchy. The NAV amounts presented in the table above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the condensed consolidated balance sheets.

Related to investments valued using the NAV per share practical expedient, management also performs, on a regular basis when information is available, various validations and testing of NAV provided and determines that the investment managers' valuation techniques are compliant with fair value measurement accounting standards.

The following table and explanations identify attributes relating to the nature and risk of investments for which fair value is determined using a calculated NAV as of March 31, 2022 (in millions):

		As of March 31, 2022			
		NAV Practical Expedient	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Private equity	(1)	$ 1,412	$ 645	-	-
Multi-strategy hedge funds	(2)	3,102	-	Weekly, Monthly, Quarterly, Annually	3 - 90 days
Real estate	(3)	1,203	185	Quarterly	45 - 90 days
Commingled funds - debt securities	(4)	1,555	64	Daily, Monthly, Quarterly	1 - 90 days
Commingled funds - equity securities	(5)	3,489	-	Daily, Weekly, Bi-Weekly, Monthly, Bi-Monthly, Quarterly	2 - 90 days
Total		$ 10,761	$ 894		

(1) This category includes private equity funds that specialize in providing capital to a variety of investment groups, including, but not limited to, venture capital, leveraged buyout, mezzanine debt, distressed debt, and other situations. There are no provisions for redemptions during the life of these funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated, estimated at March 31, 2022, to be over the next 11 years.

(2) This category includes investments in hedge funds that pursue diversification of both domestic and foreign fixed income and equity securities through multiple investment strategies. The primary objective for these funds is to seek attractive long-term, risk-adjusted absolute returns. Under certain circumstances, an otherwise redeemable investment or portion thereof could become restricted. The following table reflects the various redemption frequencies, notice periods, and any applicable lock-up periods or gates to redemption as of March 31, 2022:

Percentage of the Value of Category (2)			Redemption	Redemption	Redemption
Total	**Subtotal**	**Redemption Frequency**	**Notice Period**	**Locked Up Until (if applicable)**	**Gate % of Account (if applicable)**
5.5%	5.5%	Annually	60 days	2 years	up to 50.0%
	0.0%	Annually	75 days	-	-
30.3%	3.1%	Quarterly	45 days	2 years	up to 20.0%
	17.2%	Quarterly	55- 65 days	up to 2 years	up to 10.0% - 50.0%
	10.0%	Quarterly	90 days	-	up to 12.5% - 25.0%
49.2%	6.1%	Monthly	5 days	-	up to 20.0%
	35.3%	Monthly	30 - 45 days	-	up to 16.7 - 25.0%
	7.8%	Monthly	90 days	-	up to 20.0%
15.0%	15.0%	Weekly	3 days	-	-

(3) This category includes investments in real estate funds that invest primarily in institutional-quality commercial and residential real estate assets within the U.S. and investments in publicly traded real estate investment trusts. Investments representing 19.1% of the value of investments in this category do not have provisions for redemptions during the life of these funds. Distributions will be received as the underlying investments of the funds are liquidated, estimated at March 31, 2022, to be over the next 11 years.

(4) This category includes investments in commingled funds that invest primarily in domestic and foreign debt and fixed income securities, the majority of which are traded in over-the-counter markets. Also included in this category are commingled fixed income funds that provide capital in a variety of mezzanine debt, distressed debt and other special debt securities situations. Investments representing approximately 11.7% of the value of investments in this category do not have provisions for redemptions during the life of these funds. Distributions will be received as the underlying investments of the funds are liquidated, estimated at March 31, 2022, to be over the next seven years.

(5) This category includes investments in commingled funds that invest primarily in domestic or foreign equity securities with multiple investment strategies. A majority of the funds attempt to match or exceed the returns of specific equity indices.

The investments included above are not expected to be sold at amounts that are materially different from NAV.

8. OTHER LONG-TERM ASSETS, NET

Other long-term assets, net, consist of the following (in millions):

	As of March 31, 2022	As of June 30, 2021
Notes receivable, primarily secured	$ 46	$ 55
Goodwill	297	287
Intangible assets - definite-lived, net	115	122
Intangible assets - indefinite-lived	658	660
Donor-restricted assets	466	451
Other	261	216
Total other long-term assets, net	$ 1,843	$ 1,791

Goodwill is measured as of the effective date of a business combination as the excess of the aggregate of the fair value of consideration transferred over the fair value of the tangible and intangible assets acquired and liabilities assumed.

Intangible assets consist primarily of trademarks, trademark agreements, noncompete agreements, certificates of need and other contracts, and are recorded at fair value using various methods based on the nature of the asset. Definite-lived intangible assets are amortized using the straight-line method over the estimated useful lives of the assets.

Goodwill and intangible assets whose lives are indefinite are not amortized and are evaluated for impairment at least annually or when circumstances indicate a possible impairment may exist.

The aggregate amortization expense related to intangible assets is $2 million and $3 million for the three-month periods ended March 31, 2022 and 2021, respectively, and $8 million and $8 million for the nine-month periods ended March 31, 2022 and 2021, respectively. Amortization expense is recorded in depreciation and amortization in the unaudited condensed consolidated statements of operations and changes in net assets.

9. DEBT

CommonSpirit's Obligated Group is comprised of the former Dignity Health Obligated Group and CHI entities (collectively, the "CommonSpirit Obligated Group").

2022 Financing Activity **–** In November 2021, CommonSpirit drew $102 million on its syndicated line of credit for the redemption in full of the Kentucky Economic Development Finance Authority Fixed Rate Put Bonds, Series 2009B, and the Colorado Health Facilities Authority Fixed Rate Put Bonds, Series 2008D-3.

2021 Financing Activity **–** In August 2020, CommonSpirit renewed a $125 million line of credit used to support its self-liquidity program scheduled to mature in August 2020, to August 2023.

In September 2020, CommonSpirit repaid $800 million of draws during February through April 2020 on its syndicated line of credit.

In September 2020, CommonSpirit drew $54 million on its syndicated line of credit for the redemption in full, of the Colorado Health Facilities Authority Variable Rate Revenue Bonds, Series 2004B-6.

In October 2020, CommonSpirit issued $1.7 billion of taxable fixed rate bonds at par, with repayments of $450 million, $550 million and $658 million to be made in October 2025, 2030 and 2050 respectively. A portion of the proceeds were used to refund $537 million of tax-exempt fixed rate bonds, $230 million of tax-exempt variable rate bonds, $196 million of taxable variable rate bonds, $153 million of tax-exempt floating rate notes, $79 million of affiliate debt, $439 million for general working capital purposes and to pay cost of issuance expenses.

In October 2020, CommonSpirit issued $577 million of tax-exempt fixed rate bonds, at a premium. Proceeds included $300 million of new money to reimburse for prior capital expenditures and $344 million to refinance tax-exempt variable rate bonds. The bonds mature in April 2049.

In November 2020, CommonSpirit repaid a $31 million draw on its syndicated line of credit using proceeds from the CommonSpirit 2020 taxable bonds.

In December 2020, CommonSpirit increased a line of credit used to issue standby letters of credit from $35 million to $85 million.

In December 2020, CommonSpirit renewed a $65 million line of credit used to support its self-liquidity program scheduled to expire in December 2020, to December 2023.

10. DERIVATIVE INSTRUMENTS

The following table shows the outstanding notional amount of derivative instruments measured at fair value, net of credit value adjustments, as reported in the accompanying condensed consolidated balance sheets (in millions):

	Maturity Date of Derivatives	Interest Rate	Notional Amount Outstanding	Fair Value
			As of March 31, 2022	
Derivatives not designated as hedges				
Interest rate swaps	2024 - 2047	3.2% - 4.0%	$ 2,003	$ (310)
Risk participation agreements	2022 - 2025 with extension	SIFMA plus spread	497	-
Total return swaps	2024 - 2030	SIFMA plus spread	322	1
Total derivative instruments			2,822	(309)
Cash collateral			-	172
Derivative instruments, net			$ 2,822	$ (137)
			As of June 30, 2021	
Derivatives not designated as hedges				
Interest rate swaps	2024 - 2047	3.2% - 4.0%	$ 2,117	$ (473)
Risk participation agreements	2022 - 2025 with extension	SIFMA plus spread	510	-
Total return swaps	2024 - 2030	SIFMA plus spread	322	1
Total derivative instruments			2,949	(472)
Cash collateral			-	185
Derivative instruments, net			$ 2,949	$ (287)

CommonSpirit held $2.0 billion notional amount of interest rate swaps and $819 million notional amount of total return swaps at March 31, 2022, which have a negative fair value of $310 million and fair value of $1 million, respectively. CommonSpirit posted $172 million of collateral against the fair value of the interest rate swaps as of March 31, 2022.

CommonSpirit's interest rate swaps mature between 2024 and 2047. CommonSpirit has the right to terminate the swaps prior to maturity for any reason. The termination value would be the fair value or the replacement cost of the swaps, depending on circumstances. The derivative agreements have certain early termination triggers caused by an event of default or a termination event. The events of default include failure to make payment when due, failure to give notice of a termination event, cash on hand dropping below a specified number of days, and defaults under other agreements (cross-default provision). Termination events can include credit ratings dropping below a defined minimum credit rating threshold by either party.

CommonSpirit has $160 million notional of interest rate swaps that are insured and have a negative fair value of $42 million as of March 31, 2022. In the event the insurer is downgraded below specified minimum credit rating, the counterparties have the right terminate the swaps if CommonSpirit does not provide alternative credit support acceptable to them within 30 days of being notified of the downgrade. If both the insurer and CommonSpirit is downgraded below a specified minimum credit rating, the counterparties have the right to terminate the swaps.

CommonSpirit has $1.8 billion notional amount of interest rate swaps that are not insured, of which the counterparties have various rights to terminate $306 million notional. These include the outstanding notional amounts of $100 million and $146 million at each five-year anniversary date commencing in March 2023 and September 2023, respectively. Swaps in the outstanding notional amounts of $60 million have mandatory puts in March 2028. The termination value would be the fair value or the replacement cost of the swaps, depending on the circumstances. These interest rate swaps with the optional and mandatory put options have a negative fair value of $48 million as of March 31, 2022. The remaining uninsured swaps in the notional amount of $1.5 billion have a negative fair value of $220 million as of March 31, 2022.

CommonSpirit has floating rate derivatives in the notional amount of $819 million as of March 31, 2022. These include $497 million of risk participation agreements which have a fair value deemed immaterial and $322 million notional of total return swaps with a fair value of $1 million as of March 31, 2022.

In July 2021, CommonSpirit novated swaps in the outstanding amount of $322 million held with one counterparty to another. The swap notional amount of $68 million with the mandatory put in March 2023 was removed as part of this transaction.

All swaps and derivative bank counterparties have consented to the CommonSpirit Health MTI.

11. LEASES

CommonSpirit enters into operating and finance leases primarily for buildings and equipment and determines if an arrangement is a lease at inception of the contract. For leases with terms greater than 12 months, CommonSpirit records the related right-of-use asset ("ROU") and lease liability at the present value of lease payments over the contract term using a risk-free interest rate, subject to certain adjustments. CommonSpirit does not separate contract lease and non-lease components except for a class of underlying assets related to supply agreements, which include associated equipment. Certain building lease agreements require CommonSpirit to pay maintenance, repairs, property taxes and insurance costs, which are variable amounts based on actual costs incurred during each applicable period. Such costs are not included in the determination of the ROU asset or lease liability. Lease costs also include escalating rent payments that are not fixed at commencement but are based on the Consumer Price Index or other measure of cost inflation. Future changes in the indices are included within variable lease costs. Certain leases include one or more options to renew the lease at the end of the initial term, with renewal terms that generally extend the lease at the then market rate of rental payment. Certain leases also include an option to buy the underlying asset at or a short time prior to the termination of the lease. All such options are at CommonSpirit's discretion and are evaluated at the commencement of the lease, with only those that are reasonably certain of exercise included in determining the appropriate lease term and lease type.

Following is supplemental condensed consolidated balance sheet information related to leases as of March 31, 2022, and June 30, 2021 (in millions):

Lease Type	**Balance Sheet Classification**	**As of March 31, 2022**	**As of June 30, 2021**
Operating Leases:			
Operating lease ROU assets	Right-of-use operating lease assets	$ 1,734	$ 1,892
Operating lease obligations - current	Other accrued liabilities - current	265	281
Operating lease obligations - long-term	Other liabilities: Operating lease liabilities	1,647	1,801
Finance Leases:			
Finance lease ROU assets	Property and equipment, net	$ 279	$ 292
Current finance lease liabilities	Current portion of long-term debt	36	36
Long-term finance lease liabilities	Long-term debt, net of current portion	313	334

12. INTEREST EXPENSE, NET

The components of interest expense, net, include the following (in millions):

	Three-Month Periods Ended March 31,		**Nine-Month Periods Ended March 31,**	
	2022	**2021**	**2022**	**2021**
Interest and fees on debt	$ 118	$ 120	$ 364	$ 358
Capitalized interest expense	(4)	(6)	(15)	(25)
Interest expense, net	$ 114	$ 114	$ 349	$ 333

13. RETIREMENT PROGRAMS

Total expense for all CommonSpirit retirement and postretirement plans includes service cost components and other nonservice net benefit credits. Service costs are recorded in salaries and benefits on the accompanying unaudited condensed consolidated statements of operations and changes in net assets. Other nonservice net periodic benefit credits are recorded in nonoperating income (loss) in the unaudited condensed consolidated statements of operations and changes in net assets. Total retirement and postretirement plans expense includes the following (in millions):

	Three-Month Periods Ended March 31,		**Nine-Month Periods Ended March 31,**	
	2022	**2021**	**2022**	**2021**
Service cost	$ 207	$ 207	$ 623	$ 589
Other nonservice net benefit credits	(69)	(15)	(210)	(44)
Retirement and postretirement plans expense	$ 138	$ 192	$ 413	$ 545

14. COMMITMENTS, CONTINGENT LIABILITIES, GUARANTEES AND OTHER

The following summary encompasses matters related to litigation, regulatory and compliance matters, and developments thereto.

General – The health care industry is subject to voluminous and complex laws and regulations of federal, state and local governments. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not necessarily limited to, the rules governing licensure, accreditation, controlled substances, privacy, government program participation, government reimbursement, antitrust, anti-kickback, prohibited referrals by physicians, false claims, and in the case of tax-exempt organizations, the requirements of tax exemption. Management believes CommonSpirit is materially in compliance with all applicable laws and regulations of the Medicare and Medicaid programs. Compliance with such laws and regulations is complex and can be subject to future governmental interpretation as well as significant regulatory action, including fines, penalties and exclusion from the Medicare and Medicaid programs. Certain CommonSpirit entities have been contacted by governmental agencies regarding alleged violations of Medicare practices for certain services. Additionally, certain CommonSpirit entities have identified and self-disclosed potential instances of noncompliance with applicable regulations. In the opinion of management after consultation with legal counsel, the ultimate outcome of these matters will not have a material adverse effect on CommonSpirit's consolidated financial statements.

In recent years, government activity has increased with respect to investigations and allegations of wrongdoing. In addition, during the course of business, CommonSpirit becomes involved in civil litigation. Management assesses the probable outcome of unresolved litigation and investigations and records contingent liabilities reflecting estimated liability exposure. Following is a discussion of matters of note.

Pension Plan Litigation – In April 2013, Dignity Health was served with a class action lawsuit filed in the United States District Court for the Northern District of California by a former employee alleging breaches of fiduciary duty and other claims under ERISA in connection with the Dignity Health Pension Plan ("DHPP"). Among other things, the complaint originally alleged that, because Dignity Health is not a church or an association of churches, the DHPP does not qualify as a "church plan". The complaint also challenged the constitutionality of ERISA's church plan exemption. Dignity Health and the sponsoring religious orders established the DHPP and determined the DHPP was a church plan that should be exempt from ERISA, including ERISA's funding requirements, and received private letter rulings from the Internal Revenue Service that confirmed its church plan status. The plaintiff sought to represent a class comprised of participants and beneficiaries of the DHPP as of April 2013, when the complaint was filed.

In July 2014, the District Court ruled that only a church or an association of churches may establish a church plan; the DHPP did not qualify as a church plan since Dignity Health was not a church when the plan was established, and, therefore, DHPP was not exempt from ERISA. Dignity Health appealed the decision. In July 2016, the Ninth Circuit Court of Appeals issued its opinion, which affirmed the District Court's order and held that a church plan must be established by a church or by an association of churches and must be maintained either by a church or by a church-controlled or church-affiliated organization whose principal purpose or function is to provide benefits to church employees. The Ninth Circuit remanded the case to the District Court for further proceedings.

Dignity Health appealed the decision to the United States Supreme Court, which agreed to hear Dignity Health's case together with those of two other faith-based health systems facing similar challenges to church plan status.

In June 2017, the Supreme Court issued its unanimous opinion reversing the decision of the Ninth Circuit. The Court concluded that the 1980 amendment to Section 3(33)(C) of ERISA was intended by Congress to expand the types of pension plans that could qualify as church plans to include plans maintained by faith-based organizations such as Dignity Health and regardless of who first established the plans. The decision did not determine whether Dignity Health satisfied the requirements to maintain a church plan. In fact, the Court specifically noted that it was not deciding (1) whether any hospital was sufficiently associated with a church for its pension plan to qualify for the church plan exemption, or (2) whether an internal retirement committee could qualify as a "principal purpose" organization entitled to maintain a church plan. The Supreme Court remanded the case to the Ninth Circuit for further action based on its decision.

Based on the Supreme Court's decision, the Ninth Circuit returned the case to the District Court to continue the proceedings with regard to the two outstanding questions and other claims that were not decided by the Supreme

Court. The plaintiff amended its original complaint in November 2017, and Dignity Health filed a motion to dismiss the case in December 2017. The motion was heard in March 2018. In September 2018, the District Court issued its ruling denying Dignity Health's motion to dismiss. The decision was primarily based upon the procedural standard that requires the Court to accept the plaintiff's allegations in the amended complaint as true and does not permit Dignity Health to refute those allegations. As a result, the Court found that the amended complaint was sufficient to withstand dismissal at this stage, but encouraged the parties to further develop the factual record as a basis to consider Dignity Health's objections in the future.

The parties subsequently agreed in principle to resolve the litigation. On March 3, 2022, following certain required filings, notifications, and comment periods, the United States District Court for the Northern District of California granted final approval of the settlement agreement. The settlement resolves all claims asserted in the litigation and releases the named defendants and certain other releasees in exchange for certain mandatory cash contributions to the DHPP over a five-year period, certain one-time payments, and non-monetary relief with respect to DHPP administration and accrued benefits protection. The terms of the settlement do not materially change the commitments Dignity Health has and continues to honor with respect to the DHPP. The settlement will have no impact on the financial position or results of operations of CommonSpirit.

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