

Albert Einstein Healthcare Network

**Reports on Federal, State and City Programs
in Accordance with OMB Uniform Guidance,
Commonwealth of Pennsylvania, Department
of Human Services Single Audit Supplement and
City of Philadelphia Subrecipient Audit Guide
June 30, 2020**

**Federal Entity Identification
Numbers 23-2290323, 23-1396794, 20-4193243**

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Report of Independent Auditors

To the Board of Trustees
Albert Einstein Healthcare Network
Philadelphia, Pennsylvania

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Albert Einstein Healthcare Network and its subsidiaries, ("the Network"), which comprise the consolidated balance sheets as of June 30, 2020 and 2019, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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



Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Network and its subsidiaries as of June 30, 2020 and 2019, and the results of its operations, changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedules of expenditures of federal, state, and city awards for the year ended June 30, 2020 are presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the 2020 Compliance Supplement Addendum (Uniform Guidance), and are not a required part of the consolidated financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of expenditures of federal, state, and city awards are fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Supplemental Schedules as indicated on “*Part IV – City of Philadelphia Requirements and Supplement Schedules*” of the consolidated financial statements of the Network, for the year ended June 30, 2020 are presented for purposes of additional analysis as required by the *City of Philadelphia Subrecipient Guide*, which incorporates guidance from Uniform Guidance, and are not a required part of the consolidated financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2020 on our consideration of the Network's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters for the year ended June 30, 2020. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Network's internal control over financial reporting and compliance.

PricewaterhouseCoopers LLP

Philadelphia, PA
September 28, 2020

Albert Einstein Healthcare Network
Consolidated Balance Sheets
June 30, 2020 and 2019

(in thousands of dollars)

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 103,577	\$ 84,657
Investments	127,010	62,808
Accounts receivable for patient services	130,483	159,421
Other accounts receivable	5,056	5,336
Inventories	21,229	20,727
Other current assets	13,371	13,243
Assets whose use is limited	37,536	37,691
Total current assets	438,262	383,883
Investments	171,959	170,013
Assets whose use is limited	182,799	181,529
Land, buildings and equipment, net	561,365	590,066
Right of use assets	27,388	-
Beneficial interest in perpetual trusts	45,796	47,212
Insurance recoverable	50,453	63,199
Other non-current assets	121,202	92,475
Total assets	<u>1,599,224</u>	<u>1,528,377</u>
Liabilities and Net Assets		
Current liabilities:		
Current portion of long-term obligations	32,259	11,994
Current portion of lease liabilities	8,071	-
Accounts payable and accrued expenses	144,735	131,370
Accrued vacation and other benefits	14,970	13,090
Current portion of accrued professional liability claims	38,510	35,221
Other liabilities	100,914	10,272
Total current liabilities	339,459	201,947
Long-term obligations	432,066	443,842
Lease liabilities	21,579	-
Accrued pension liability	286,657	271,649
Accrued professional liability claims	167,709	185,948
Other liabilities	44,564	43,721
Total liabilities	<u>1,292,034</u>	<u>1,147,107</u>
Net assets:		
Without donor restrictions	168,837	239,819
With donor restrictions	138,353	141,451
Total net assets	<u>307,190</u>	<u>381,270</u>
Total liabilities and net assets	<u>\$ 1,599,224</u>	<u>\$ 1,528,377</u>

Albert Einstein Healthcare Network
Consolidated Statements of Operations and Changes in Net Assets
June 30, 2020 and 2019

(in thousands of dollars)

	<u>2020</u>	<u>2019</u>
Net Assets Without Donor Restrictions		
Operating revenues, gains and other support		
Net patient service revenue	\$ 1,185,314	\$ 1,224,164
Cares act revenue	50,660	-
Other revenue	87,689	57,379
Net assets released from restrictions	<u>6,028</u>	<u>7,316</u>
Total operating revenues, gains and other support	<u>1,329,691</u>	<u>1,288,859</u>
Operating expenses		
Salaries and employee benefits	783,114	756,239
Supplies	176,912	174,673
External physician, clinical and professional service fees	137,843	133,368
Depreciation and amortization	72,542	72,514
Interest expense	20,843	21,040
Insurance	41,033	37,433
Other	<u>101,612</u>	<u>97,929</u>
Total operating expenses	<u>1,333,899</u>	<u>1,293,196</u>
Operating loss	(4,208)	(4,337)
Non-operating revenues, net & (charges)		
Investment income and realized gains and losses	8,027	18,509
Unrealized gains on investments	3,348	-
Other than temporary impairments on investments	(2,784)	(499)
Other pension costs	(11,465)	(8,680)
Other	<u>2,782</u>	<u>1,288</u>
(Deficiency) excess of revenues over expenses	<u>(4,300)</u>	<u>6,281</u>

Albert Einstein Healthcare Network
Consolidated Statements of Operations and Changes in Net Assets, continued
June 30, 2020 and 2019

(in thousands of dollars)

	2020	2019
Net Assets Without Donor Restrictions (continued)		
(Deficiency) excess of revenues over expenses	(4,300)	6,281
Change in net unrealized gains/(losses) on investments	100	(813)
Increase in pension liability	<u>(66,782)</u>	<u>(44,996)</u>
Decrease in net assets without donor restrictions	<u>(70,982)</u>	<u>(39,528)</u>
Net Assets With Donor Restrictions		
Contributions	4,303	8,990
Investment income and realized gains	3,098	1,734
Other than temporary impairments on investments	(1,412)	(38)
Change in beneficial interest in perpetual trusts	15	596
Change in net unrealized (losses)/gains on investments	(3,074)	2,119
Net assets released from restrictions	<u>(6,028)</u>	<u>(7,316)</u>
(Decrease) increase in restricted net assets with donor restrictions	<u>(3,098)</u>	<u>6,085</u>
Decrease in net assets	(74,080)	(33,443)
Net assets, beginning of year	<u>381,270</u>	<u>414,713</u>
Net assets, end of year	<u><u>\$ 307,190</u></u>	<u><u>\$ 381,270</u></u>

Albert Einstein Healthcare Network

Consolidated Statements of Cash Flows

June 30, 2020 and 2019

(in thousands of dollars)

	2020	2019
Cash flows from operating activities		
Decrease in net assets	\$ (74,080)	\$ (33,443)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Net realized and unrealized losses on investments	(646)	(13,303)
Depreciation and amortization	70,603	70,378
Increase in pension liability	66,782	44,996
Gain on sale of assets	(3,620)	-
Change in beneficial interest in perpetual trusts	(14)	(596)
Contributions and investment income restricted for long-term purposes	(5,662)	(9,294)
Equity in income of joint venture	(46,463)	(16,430)
(Increase) decrease in:		
Changes in assets and liabilities		
Accounts receivable	29,218	(2,631)
Inventories	(502)	(1,833)
Insurance recoverable	12,746	839
Other assets	(128)	(587)
Increase (decrease) in:		
Accounts payable and accrued expenses	16,558	1,601
Accrued pension liability, net of funding	(51,774)	1,273
Accrued vacation and other benefits	1,880	(2,713)
Accrued professional liability, net of funding	(14,950)	(18,062)
Other liabilities	91,485	3,322
Net cash provided by operating activities	<u>91,433</u>	<u>23,517</u>
Cash flows from investing activities		
Purchase of land, buildings and equipment ⁽¹⁾	(44,944)	(41,713)
Purchase of investments and assets whose use is limited	(257,466)	(166,322)
Proceeds from sale of investments and assets whose use is limited	190,853	185,671
Proceeds from sale of assets	4,027	-
Investment in joint ventures	(3,374)	-
Distribution from joint ventures	23,100	9,544
Other	(1,990)	369
Net cash used in by investing activities	<u>(89,794)</u>	<u>(12,451)</u>

⁽¹⁾ Non-cash investing activities

Capital lease obligations of \$371 were incurred in 2019 when the Network entered into leases for new equipment. These amounts are not included the purchase of land, buildings and equipment.

Albert Einstein Healthcare Network
Consolidated Statements of Cash Flows - Continued
June 30, 2020 and 2019

(in thousands of dollars)

	2020	2019
Cash flows from financing activities		
Net repayments from revolving line of credit	(182)	(1,040)
Proceeds from short-term borrowings	20,000	-
Repayment of long-term borrowings	(7,785)	(7,912)
Principal payments under capital lease obligations	(1,840)	(1,756)
Contributions and investment income restricted for long-term purposes	5,662	9,294
Net cash used in financing activities	<u>15,855</u>	<u>(1,414)</u>
Net increase in cash and cash equivalents	17,494	9,652
Cash and cash equivalents, beginning of year	<u>119,958</u>	<u>110,306</u>
Cash and cash equivalents, end of year	<u>\$ 137,452</u>	<u>\$ 119,958</u>

**Reconciliation of cash and cash equivalents to the
consolidated balance sheets**

Cash and cash equivalents	\$ 103,577	\$ 84,657
Cash and cash equivalents included in assets who use is limited	<u>33,875</u>	<u>35,301</u>
Cash and cash equivalents at end of of period	<u>\$ 137,452</u>	<u>\$ 119,958</u>

Albert Einstein Healthcare Network

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

1. Organization and Nature of Operations

Albert Einstein Healthcare Network (“AEHN”) is a not-for-profit corporation that controls related organizations in a health care delivery system serving the greater Delaware Valley through sole membership in those related organizations. AEHN, together with its related member organizations, comprise Albert Einstein Healthcare Network (“Network”).

The Network engages in health education, health promotion and fundraising activities, conducts system-wide planning, establishes overall financial goals and oversees funds management.

AEHN appoints the governing boards of subsidiaries and member organizations. The related organizations and their primary operations included in the consolidated financial statements are as follows:

Albert Einstein Medical Center (“AEMC”) is a controlled organization through sole AEHN membership. AEMC is licensed to operate 551 acute care beds, 187 rehabilitation beds, 44 skilled nursing beds and an outpatient surgical center across three campuses.

On its main campus, in North Philadelphia, AEMC provides tertiary care in a 485 acute care bed hospital setting. AEMC provides rehabilitation services in a 21-bed setting on its main campus and 36-bed setting at three other hospitals that are part of its Moss Rehab division. AEMC provides nursing care in a 44-bed setting that is a skilled nursing facility. In addition, services are provided through an emergency department on the main campus; outpatient and ancillary services are provided both on the main campus and through surrounding community sites. AEMC also provides services through a crisis response center.

On its Elkins Park campus, AEMC provides tertiary care in a 66-bed acute care hospital setting. AEMC provides rehabilitation services in a 130-bed rehabilitation setting that is also part of its Moss Rehab division. In addition, services are provided through an emergency department and various outpatient and ancillary departments.

On its Germantown campus, AEMC provides services through various outpatient and ancillary departments. Psychiatric services are provided in a long-term structured residential setting.

Einstein Practice Plan, Inc. (“EPPI”) is a controlled organization through sole AEHN membership. EPPI employs physicians who are members of the medical staff of AEMC and provide clinical care, teaching and research services to the Network’s affiliated entities.

Einstein Community Health Associates (“ECHA”) is a controlled organization through sole AEHN membership. ECHA employs physicians who provide primary care services in the community.

Einstein Medical Center Montgomery (“EMCM”) is a controlled organization through AEHN. EMCM provides tertiary care to residents in and around central Montgomery County in a 171 acute care bed hospital setting. In addition, services are provided through an emergency department on the main campus; outpatient and ancillary services are provided both on the main campus and through surrounding community sites.

Albert Einstein Healthcare Network

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

Montgomery Hospital Medical Center ("MHMC") is a controlled organization through sole AEHN membership. MHMC consists of three constituent companies, Montgomery Hospital Medical Center ("MHMC"), Montgomery Health Foundation ("MHF"), and CMMC, Inc. ("CMMC")

MHMC was licensed to operate as a general acute care hospital providing services in a 177-bed hospital setting in Norristown, Pennsylvania. On September 29, 2012, MHMC discontinued its healthcare delivery services.

MHF engages in fund raising activities primarily for the benefit of MHMC and the community.

CMMC leases space in its medical office building and provides other services ancillary to MHMC.

Fornance Physician Services ("FPS") is a controlled organization through sole AEHN membership. FPS is a physician practice organization providing services in various medical specialties at locations throughout Montgomery County.

BCCT Over Corp ("Belmont") is a controlled organization through sole AEHN membership. On July 1, 2015, Network sold the assets of Belmont and ceased operations.

Einstein/USP Surgery Centers, L.L.C., a Pennsylvania L.L.C., is a controlled organization through which AEHN (Parent) controls 80% of the ownership. Its partner, United Surgical Partners, Inc., (USP) holds 20% of the ownership. During June of 2016 via an asset purchase agreement, the EMC purchased the assets & assumed certain obligations related to those assets. As a result, the ambulatory surgical center on the campus of Einstein Medical Center Montgomery ceased operations.

Einstein Healthcare Systems, Inc. ("EHS") is a wholly owned for-profit business corporation and subsidiary of AEHN.

Einstein Care Partners, LLC (ECP), is controlled organization through sole AEHN membership. ECP operates an accountable care organization (ACO) comprised of clinically integrated network of Member-owned and independent healthcare providers. ECP also contracts with government payers, private health benefit plans, employers and other parties for certain populations under value-based and/or risk-bearing payment arrangements.

Broadline Risk Retention Group, Inc., ("BRRG"), a Vermont not for profit sponsored risk retention group, organized on July 2010, is a controlled organization through membership of AEHN (Parent) and its subsidiaries who participate in its risk retention program. BRRG is organized and operated exclusively to support the Network and the charitable healthcare activities of the member organizations of the Network and provides professional liability, general liability and excess liability insurance to the Network and its members.

Definitive Agreement with Thomas Jefferson University

On September 14, 2018, AEHN signed a definitive agreement whereby AEHN will become part of Thomas Jefferson University ("TJU"). TJU will become the sole corporate member of AEHN to further expand and enhance AEHN's mission of improving the quality of life for all by fostering healing, easing suffering, and promoting wellness in a culture of safety, learning and respect. TJU is an independent, non-profit corporation organized under the laws of the Commonwealth of Pennsylvania and recognized as a tax-exempt organization pursuant to Section 501(c) (3) of the Internal Revenue Code. It conducts research and offers undergraduate and graduate instruction through the Sidney Kimmel Medical College, the Jefferson Colleges of Nursing, Pharmacy, Health

Albert Einstein Healthcare Network

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

Professions, Population Health, and Biomedical Sciences. TJU has approximately 3,200 students and is located in Philadelphia.

On February 27, 2020, the Federal Trade Commission (FTC) brought an action to block the proposed transactions. The Commonwealth of Pennsylvania has joined the FTC in the action. Both AEHN and TJU are pursuing all legal action necessary to defend the transaction.

2. Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in conformity with generally accepted accounting principles in the United States of America ("GAAP"). These consolidated financial statements include the accounts of the Network and its controlled affiliates. Investments in which the Network does not control, but in which it has a substantial ownership interest and can exercise significant influence, are accounted for using the equity method. All significant inter-company accounts and transactions have been eliminated.

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period and the accompanying notes. Actual results could differ from these estimates.

Financial Statement Presentation

Net assets without donor restrictions are those assets that are available for the support of operations and whose use is not externally restricted, although their use may be limited by other factors such as by contract or board designation.

Net assets with donor restrictions include gifts for which donor-imposed restrictions such as specific time period or purpose have not been met and trust activity and pledges receivable for which the ultimate purpose of the proceeds is not permanently restricted. It also includes gifts, trusts and pledges which require by donor restriction that the corpus be invested in perpetuity and only the income be made available for operations in accordance with donor restrictions.

Performance Indicator

In the consolidated statements of operations and changes in net assets, the primary indicator of the Network's results is "Excess/(deficiency) of revenues over expenses." As such, it includes all revenues, operating expenses, non-operating revenues, investment income and non-operating expenses without donor restrictions. Transactions such as restricted contributions and contributions of long-lived assets (e.g., capital equipment), certain investment income and realized gains and losses related to these transactions are not included in Excess/(deficiency) of revenues over expenses.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and investments in highly liquid debt instruments with an original maturity of three months or less. At June 30, 2020 and 2019, AEHN had cash balances in financial institutions which exceeded the Federal Depository Insurance limits. Management believes that the risk related to these deposits is minimal.

Fair Value Measurement

The Network adopted FASB guidance on fair value measurements for investments effective July 1, 2008. This guidance defines fair value, establishes a framework for measuring fair value and

Albert Einstein Healthcare Network

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

expands disclosures about fair value measurements. Under the standard, fair value is defined as an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, fair value is a market-based measurement to be determined based on the assumptions that market participants would use in pricing an asset or liability in a hypothetical transaction at the measurement date.

The Network measures its available-for-sale restricted and unrestricted marketable securities at fair value on a recurring basis. Fair value is a market-based measurement that is determined based on assumptions that market participants would use in pricing an asset or liability. The Network's valuation methodologies used to measure financial assets and liabilities at fair value are outlined below:

Level 1 – Where applicable, the Network uses quoted prices in active markets for identical assets to determine fair value. This pricing methodology typically applies to domestic equities, international equities and mutual funds which redeem at net asset value (NAV).

Level 2 – If quoted prices in active markets for identical assets are not available, then quoted prices for similar assets, quoted prices for identical assets in inactive markets or inputs other than quoted prices that are observable for the asset, either directly or indirectly, will be used to determine fair value. These inputs may include recent bid prices, interest rates, yield curves, credit risk and default rates or inputs derived principally from market data and corroborated by market data. Securities typically priced using Level 2 inputs include government bonds (including U.S. Treasuries and Agencies), corporate bonds, asset-backed securities and mortgage-backed securities, commercial paper, guaranteed investment contracts, currency options and commingled funds where NAV is corroborated with observable market data.

Level 3 – These inputs would be the Network's own assumptions about the assumptions market participants would use in pricing an asset.

Assets and liabilities measured at fair value are based on one or more of three valuation techniques as follows:

- Market approach – Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- Cost approach – Amount that would be required to replace the service capacity of an asset (i.e., replacement cost); and
- Income approach – Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing models and lattice models).

Fair value measurements – for investments in certain entities that calculate net asset value per share (or its equivalent)

In May 2015, the FASB issued ASU 2015-07, which eliminates the requirement to categorize investments valued using the net asset value (NAV) of the investment as a practical expedient within the fair value hierarchy.

Albert Einstein Healthcare Network

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

Investments valued using the practical expedient were previously categorized within the fair value hierarchy on the basis of whether the investment was redeemable with the investee at net asset value on the measurement date, never redeemable with the investee at net asset value, or redeemable with the investee at net asset value at a future date.

Unrealized Gains and Losses

Unrealized gains and losses on all investments are shown below the Excess/(deficiency) of revenues over expenses.

Investments with unrealized depreciation are reviewed at each year-end to determine whether these investments are other-than-temporarily impaired. Externally managed marketable investments with fair value below cost at year-end are considered to be other-than-temporarily impaired and, accordingly, the unrealized depreciation is recognized as an impairment loss through a write-down in the cost basis of such investments to year-end fair values. This loss is reflected in the Excess/(deficiency) of revenues over expenses.

Investment income on investments of donor-restricted funds, including unrealized gains and losses, is added to or deducted from the appropriate net asset category based on the donor's restrictions.

Inventories

Inventories are stated at the lower of cost or market with cost determined using the first-in-first-out method.

Assets Whose Use Is Limited

Assets whose use is limited are recorded at fair value and principally include amounts restricted by donors, amounts set aside by the Board of Trustees for future capital improvements and amounts held by outside trustees under bond indenture agreements and self-insurance trust arrangements. Amounts required to meet current liabilities have been classified as current assets in the accompanying consolidated balance sheets.

Equity in Joint Ventures

The Network is one of four owners of Health Partners of Philadelphia, Inc. ("Health Partners") a not-for-profit Health Maintenance Organization joint venture providing access to health care services on a prepaid basis. Health Partners is licensed to operate in Philadelphia and the surrounding counties, for the Commonwealth of Pennsylvania Medicaid Health Choices program. The Network accounts for its joint venture interest on the equity method whereby it records its share of (losses)/earnings and net assets. Its share of Health Partners earnings was \$46.2 million and \$16.4 million in 2020 and 2019, respectively, and is included in other operating revenues. Its share of Health Partners net assets was \$69.3 million and \$45.0 million in 2020 and 2019 respectively and is included in other non-current assets.

In April of 2018 the Network entered into a joint venture ("Einstein-Solis Joint Venture") between the Network and Solis-NFP JV Holding, LLC, a Delaware limited liability company. The purpose of the joint venture is to provide management and administrative services to the network-wide direct patient care mammography service line. During fiscal year 2020, the Network contributed an additional \$3.4 million for two addition patient care sites. The Network accounts for its joint venture interest on the equity method whereby it records its share of (losses)/earnings and net assets. Its share of the Einstein-Solis Joint Venture earnings was \$28 thousand for the year ended June 30, 2020 and is included in other operating revenues. Its share of Einstein-Solis Joint Venture net assets was \$10.2 million and \$7.7million and is included in other non-current assets for the years ended June 30, 2020 and 2019.

Albert Einstein Healthcare Network

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

Land, Buildings and Equipment

Land, buildings and equipment are stated at cost less accumulated depreciation. Interest and associated borrowing costs for financed projects such as major facility construction are capitalized during the time to complete and prepare the asset for its intended use. Donated equipment is recorded at fair market value at the date of receipt, which is then treated as cost. Depreciation is calculated utilizing the straight-line method based on the estimated useful lives of the underlying assets. Gains and losses from retirement or disposition of fixed assets are recognized in the consolidated statements of operations as non-operating gains or losses.

Beneficial Interest in Perpetual Trusts

The Network is the beneficiary of various irrevocable charitable and split-interest trusts which are administered by trustees. The Network's proportionate interest in the investments of these trusts is recorded at fair value. The Network's proportionate interest is reported within net assets as an asset with donor restrictions in the consolidated balance sheets. Distributions of trust income are included in other non-operating revenues. For fair value measurement purposes, the Network values these investments as Level 3, since the Network does not have control of these trust assets.

Leases

The Network leases property and equipment under finance and operating leases. AEHN determines whether an arrangement is a lease at inception. For leases with terms greater than 12 months, AEHN records the related right-of-use (ROU) assets and lease liabilities at the present value of lease payments over the term. Leases may include rental escalation clauses and options to extend or terminate the lease that are factored into the determination of lease payments when appropriate. The Network separates the lease and non-lease components of contracts. The Network's incremental borrowing rate, which is based on information available at the adoption date for existing leases and the commencement date for leases commencing after the adoption date, is used to determine the present value of lease payment.

Operating leases are included in ROU assets, current portion of lease liabilities, and lease liabilities on the consolidated balance sheets. Operating lease expense is recognized on the straight-line basis over the lease term and is included in other on the consolidated statements of operations and changes in net assets.

Finance leases are included in property and equipment, current portion of long-term debt and long-term debt on the consolidated balance sheets. Property and equipment under finance lease obligations are amortized over the lease term or the estimated useful life of the equipment, whichever is shorter. Such amortization is included with depreciation on the accompanying consolidated statements of operations and changes in net assets.

Self-Insurance Plans

Professional liability claims are insured under a combination of a risk retention group, self-insurance and excess commercial reinsurance programs. All of the Network's hospital operating entities also participate in the Medical Care Availability and Reduction of Error ("MCARE") Fund. Management accrues its best estimate of known and unknown medical malpractice and workers' compensation losses utilizing historical and actuarial data on a discounted basis. Professional liability claims are recorded on a discounted basis using a rate of 3%.

Workers' compensation liabilities are insured through a large deductible commercial insurance policy. Workers' compensation liabilities are recorded on a discounted basis using a rate of 3%.

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Self-insurance plans, claims and related insurance recoveries, are not netted against a related claim liability. The Network has recorded \$79.5 million and \$63.1 million for 2020 and 2019, respectively, of insurance liabilities that are recoverable from insurance carriers.

Net Patient Service Revenue

The Network's net patient service revenue is reported at the amount that reflects the consideration to which the Network expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payers (including health insurers and government programs), and others and include an estimate of variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Network bills the patients and third-party payers several days after the services are performed and/or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Network. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Network believes that this method provides a reasonable representation of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to both inpatient and outpatient services because the patient simultaneously received and consumed the benefits provided by the Network as the Network performed the services. The Network measures the performance obligation from admission into the hospital, or the commencement of an outpatient service, to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge or completion of the outpatient services. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided, and the Network does not believe it is required to provide additional goods or services to the patient.

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

The Network has elected to use a portfolio approach, as described in FASB ASC 606-10-10-4, for categories of patient contracts as a collective group, rather than recognizing revenue on an individual contract basis. Based on the historical collection trends and other analysis, the Network believes that the revenue recognized by utilizing the portfolio approach approximates the revenue that would have been recognized if an individual contract approach were used.

The Network determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Network's policy, and implicit price concessions provided to uninsured patients. The Network determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. The Network determines its estimate of implicit price concessions based on its historical collection experience with this class of patients.

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Most of the Network's services are rendered to patients with third party coverage. Reimbursement under these programs for all payers is based on a combination of prospectively determined rates, discounted charges and historical costs. Amounts received under Medicare and Medical Assistance programs are subject to review and final determination by program intermediaries or their agents and the contracts the Network has with commercial payers also provide for retroactive audit and review of claims. Agreements with third-party payers typically provide for payments at amounts less than established charges.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations, like AEHN, have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Network's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Network. In addition, the contracts the Network has with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and the Network's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in the transaction price were not significant in the twelve months ended June 30, 2020 or 2019.

Generally, patients who are covered by third-party payers are responsible for related deductibles and coinsurance, which vary in amount. The Network also provides services to uninsured patients, and offers those uninsured patients a discount, either by policy or law, from standard charges. The Network estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change and are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Adjustments arising from a change in the transaction price were not significant in the twelve months ended June 30, 2020 or 2019.

Consistent with the Network's mission, care is provided to patients regardless of their ability to pay. The Network has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances (for example, copays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts

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billed to patients and the amounts the Network expects to collect based on its collection history with those patients.

Patients who meet the Network's criteria for charity care are provided care without charge or at amounts less than established rates and the Network has determined it has provided an implicit price concession. Price concessions, including charity care, are not reported as net patient service revenue.

The composition of net patient service revenue for the twelve months ended June 30, 2020 and 2019, primarily resulting from patients in the southeastern Pennsylvania region, are as follows:

	2020	2019
Medicare	38%	37%
Medicaid	33%	33%
Commercial	27%	28%
Self Pay/Other	2%	2%
	100%	100%

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

Net patient service revenue disaggregated by lines of service for the years ended June 30, 2020 and 2019 are as follows in thousands of dollars:

	2020	2019
Inpatient services	\$ 691,715	\$ 692,866
Outpatient services	493,599	531,298
	\$ 1,185,314	\$ 1,224,164

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At June 30, 2020 and 2019, patient accounts receivable, net were comprised of the following components in thousands of dollars:

	2020	2019
Patient receivables	\$ 124,859	\$ 154,551
Contract assets	5,624	4,870
	<u>\$ 130,483</u>	<u>\$ 159,421</u>

Contract assets are related to in-house patients who were provided services during the reporting period but were not discharged as of the reporting period date for which the Network does not have the right to bill.

The Network has applied the practical expedient provided by FASB ASC 340-40-25-4 and all incremental customer contract acquisition costs are expensed as they are incurred, as the amortization period of the asset that the Network otherwise would have recognized is one year or less in duration.

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

Donor-Restricted Gifts

Unconditional promises to receive cash and other assets are reported at fair value at the date the promise is received. The gifts are reported as assets with donor restrictions support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or the purpose of the restriction is accomplished, net assets with donor restrictions are reclassified as assets without donor restrictions and reported in the consolidated statement of operations and changes in net assets as net assets released from restrictions.

Uncompensated Medical Care Provided

The Network provides services to all patients regardless of ability to pay. Although patients are ultimately responsible for hospital services rendered that are not covered by insurance, some uninsured patients qualify for financial assistance under established guidelines and are therefore not responsible for payment of such services. These guidelines require medical indigence status based on federal poverty guidelines. Charges for services rendered to patients who qualify for financial assistance are not reflected in the accompanying consolidated financial statements. Uninsured patients who do not qualify for financial assistance are provided care at reduced rates.

The Network maintains records to identify and monitor the level of uncompensated care provided. These records include the amount of charges forgone for services and supplies furnished. Management estimates that the cost of uncompensated care (which includes patients who qualify

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for financial assistance and costs provided to patients where the net patient revenue was not collected) provided by the Network approximated \$43.1 million in 2020 and \$39.6 million in 2019. The cost of uncompensated care is computed by taking the ratio of each operating division's cost to charges and multiplying it by the charges forgone for each patient where medical care was provided but went uncompensated.

Other Uncompensated Community Services

Services are provided to patients in the community who are insured under the Pennsylvania Medical Assistance Program. Payments from the Medical Assistance Program are substantially below the Network's cost of providing such services. The costs of providing services to eligible welfare recipients who participate in the Pennsylvania Medical Assistance and local Health Choices programs exceeded reimbursement by \$66.3 million in 2020 and \$66.9 million in 2019.

In addition to providing direct patient charity care and in furtherance of its exempt purpose to benefit the community, the Network provides various community services such as education, screenings and support groups for cancer patients and their families, health and wellness festivals, continuum of independent living and senior health programs, heart disease screenings, maternity care and childbirth programs, behavioral health crisis response and other related community health programs. The Network is also involved with school partnerships and helps organize educational programs for childhood and adolescent health issues, including underage drinking and smoking. Associated amounts expended for the above services approximated \$4.7 million in 2020 and \$5.3 million in 2019.

Income Taxes

AEHN and its controlled affiliates are tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code. The Network also owns or controls for-profit subsidiaries that are taxable corporations. The Coronavirus Aid, Relief, and Economic Security (CARES) Act was enacted on March 27, 2020. On June 5, 2020, the Paycheck Protection Program Flexibility Act of 2020 was enacted, which revised certain provisions of the Paycheck Protection Program created by the CARES Act. As a result of evaluating the provisions that impact its organizations, AEHN has concluded that this law will not have a material impact on its financial statements related to the accounting for income taxes.

Subsequent Events

The Network has performed an evaluation of subsequent events through September 28, 2020, which is the date the financial statements were issued.

New Accounting Pronouncements

In January 2016, the FASB issued ASU 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities, which primarily affects the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. ASU 2016-01 is effective for the fiscal years beginning after December 15, 2018. Early application to financial statements that have not yet been made available for issuance is permitted for the amendments (1) requiring an entity that has elected to measure a liability at fair value to present separately as a change in net assets the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk; and (2) exempting an entity from the requirement to disclose fair value information about financial instruments not measured at fair value. The Network elected to apply these amendments during fiscal year 2016. The application of this guidance resulted in disclosure changes only. The remainder of the guidance was adopted effective July 1, 2019. This resulted in presentation changes within Consolidated statements of operations and changes in net assets reporting certain equity

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investment's unrealized gains and losses within non-operating income before Excess(deficiency) of revenue over expenses. Formerly these unrealized gains and losses were reported after Excess(deficiency) of revenues over expenses with net assets without donor restrictions section of the changes in net assets.

Effective July 1, 2019, the Network adopted, ASU 2016-02, Leases (Topic 842), in conjunction with subsequent ASU's aimed at providing clarification and transition relief. This ASU requires the rights and obligations arising from lease contracts, including existing and new arrangements, to be recognized as assets and liabilities on the balance sheet. This ASU also requires additional disclosures to help financial statement users better understand the amount, timing and uncertainty of cash flows arising from leases. The Network adopted this ASU using a modified retrospective approach. The Network has elected to utilize practical expedients made available, including the package of practical expedients, not to reassess whether a contract is or contains a lease, the lease classification, and indirect cost for any existing leases; and to use hindsight with respect in determining the lease term. While the adoption of ASU 2016-02 did not have a material impact on the consolidated statements of operations and changes in net assets or the consolidated statements of cash flows, it did have a material impact on the consolidated balance sheet through the recording of the lease liabilities of \$37.8 million and the related ROU assets of 35.4 million for leases in effect at July 1, 2019.

Effective July 1, 2019, the Network adopted, ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. This ASU adds or clarifies guidance on the classification of certain cash receipts and payments in the statement of cash flows. The Network adopted this guidance on a retrospective basis, which did not materially impact the presentation of the statement of cash flows.

Effective July 1, 2019, the Network adopted ASU 2016-18, Restricted Cash (Topic 230), which provides guidance on the classification and presentation of changes in restricted cash and cash equivalents in the statement of cash flows. The Network adopted this guidance on a retrospective basis, which resulted in adding cash included in the assets who use is limited in the consolidated statement of cash flows.

In August 2018, the FASB issued ASU No. 2018-13, Fair Value Measurement (Topic 820). This ASU improves the effectiveness of the notes to financial statements through changes in the disclosure requirements for fair value measurement. The ASU is effective for the Network's fiscal year beginning after December 15, 2019 and will be applied using a retrospective approach. The Network is currently assessing the impact of this ASU on its consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-14, Compensation - Retirement Benefits – Defined Benefit Plans (Topic 715). This ASU modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. The ASU is for the Network's fiscal year beginning after December 15, 2020 and will be applied using a retrospective approach. The Network is currently assessing the impact of this ASU on its consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-15, Intangibles - Goodwill and Other, Internal-Use software (Subtopic 350-40), Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract. This ASU aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The ASU is effective for the Network's fiscal year beginning after December 15, 2020 and

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will be applied using a prospective approach. The Network is currently assessing the impact of this ASU on its consolidated financial statements.

3. Fair Value of Investments

As of June 30, 2020, the fair values of investments, assets whose use is limited and beneficial interest in perpetual trusts, in thousands of dollars, consisted of the following:

	Level 1	Level 2	Level 3	Total Fair Value
Cash and cash equivalents	\$ 7,198	\$ 27,149		\$ 34,348
U.S. treasury obligations		6,330		6,330
U.S. agency obligations		1,201		1,201
Bond mutual funds	202,458	8		202,466
Equity mutual funds	31,618			31,618
Marketable equity securities	2,599			2,599
Corporate bonds		17,995		17,995
Alternative investments	25,362	2,669		28,031
Beneficial interest in perpetual trusts			45,796	45,796
	<u>\$ 269,235</u>	<u>\$ 55,352</u>	<u>\$ 45,796</u>	<u>370,384</u>
Investments at NAV				<u>194,784</u>
				<u><u>\$ 565,168</u></u>

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The unfunded commitments, redemption frequency and redemption notice periods for the investments that utilize Net Asset Value (NAV) for practical expedient purposes by strategy are as follows in thousands of dollars:

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Long/Short Equity (a)	5,380	-	Daily/Annually	0-75 Days
Long Equity (b)	37,180	-	Daily	
Multi-Strategy (c)	-	-	Annually	90 Days
Real Assets (d)	17,441	-	Daily	
Short Term Bond Fund (e)	78,498	-	Daily	
Core Plus Bond Fund (f)	21,442	-	Daily	
High Yield Bond Fund (g)	5,415	-	Monthly	
Equity Index Funds (h)	22,083	-	Daily	
Event Driven (i)	7,345	-	Quarterly/Annually	45-65 Days

- (a) This category includes investments in hedge funds that invest in both long and short positions. The focus is on value, emphasizing low price-to-earnings ratios as well as discounts to private market value. Short equity investments are limited to 10% of assets.
- (b) This category includes funds that invest principally in equity securities of small and large capitalization U.S. companies and other developed market countries.
- (c) This category invests in hedge funds of funds that pursue multiple strategies to diversify risks and reduce downside exposure. The portfolio seeks a mixture of managers by style, size, geography and liquidity that can perform well in a variety of markets and can protect against a market correction.
- (d) This category invests in funds that provide exposure to Real Estate Investment Trusts (REITs), commodities, and natural resources. The strategy complements a policy portfolio and is intended to provide inflation protection relative to equities and fixed income.
- (e) This category purchases investment grade fixed income securities with duration typically of one to three years.
- (f) This category invests in fixed income securities issued by the U.S. Government, U.S. Government agencies, and of corporations domiciled in the United States, developed international markets and emerging markets. These securities have investment grade credit ratings and non-investment grade credit ratings.
- (g) This category invests principally in U.S. dollar denominated high yield bonds with a focus on achieving superior risk-adjusted performance over extended periods. The portfolio focuses on capital preservation and mitigating volatility.
- (h) This category purchases each stock in the Standard & Poor's 500 Index. The strategy is to buy and hold securities, trading when there is a change to the index, participant cash flows, or to reinvest cash from dividend income.
- (i) This category includes investments in hedge funds that seek to preserve capital and to profit from merger arbitrage, distressed investments, and extraordinary corporate actions with predictable outcomes.

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As of June 30, 2020, the fair values of investments, assets whose use is limited and beneficial interest in perpetual trusts, in thousands of dollars, are presented in the consolidated balance sheets under the following classifications:

	Level 1	Level 2	Level 3	Total Fair Value
Investments, current	\$ 76,150	\$ 22,483		\$ 98,633
Assets whose use is limited, current	5,185	29,976		35,161
Investments, non-current	143,519	35		143,554
Assets whose use is limited, non-current	44,381	2,859		47,240
Beneficial interest in perpetual trusts			45,796	45,796
	<u>\$ 269,235</u>	<u>\$ 55,353</u>	<u>\$ 45,796</u>	<u>370,384</u>
Investments at NAV				194,784
				<u><u>\$ 565,168</u></u>

As of June 30, 2019, the fair values of investments, assets whose use is limited and beneficial interest in perpetual trusts, in thousands of dollars, consisted of the following:

	Level 1	Level 2	Level 3	Total Fair Value
Cash and cash equivalents	\$ 8,252	\$ 27,157	\$ -	\$ 35,409
U.S. treasury obligations	-	7,250	-	7,250
U.S. agency obligations	-	50	-	50
Bond mutual funds	143,093	4	-	143,097
Equity mutual funds	45,595	-	-	45,595
Marketable equity securities	2,923	-	-	2,923
Corporate bonds	-	17,838	-	17,838
Alternative investments	25,475	-	-	25,475
Beneficial interest in perpetual trusts	-	-	47,212	47,212
	<u>\$ 225,338</u>	<u>\$ 52,299</u>	<u>\$ 47,212</u>	<u>324,849</u>
Investments at NAV				174,402
				<u><u>\$ 499,251</u></u>

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The unfunded commitments, redemption frequency and redemption notice periods for the investments that utilize Net Asset Value (NAV) for practical expedient purposes by strategy are as follows in thousands of dollars:

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Long/Short Equity (a)	\$ 7,674	-	Daily/Annually	0-75 Days
Long Equity (b)	\$ 29,829	-	Daily	
Multi-Strategy (c)	\$ 7,639	-	Annually	90 Days
Real Assets (d)	\$ 17,864	-	Daily	
Short Term Bond Fund (e)	\$ 62,639	-	Daily	
Core Plus Bond Fund (f)	\$ 20,461	-	Daily	
High Yield Bond Fund (g)	\$ 5,353	-	Monthly	
Equity Index Funds (h)	\$ 22,943	-	Daily	

- (a) This category includes investments in hedge funds that invest in both long and short positions. The focus is on value, emphasizing low price-to-earnings ratios as well as discounts to private market value. Short equity investments are limited to 10% of assets.
- (b) This category includes funds that invest principally in equity securities of small and large capitalization U.S. companies and other developed market countries.
- (c) This category invests in hedge funds of funds that pursue multiple strategies to diversify risks and reduce downside exposure. The portfolio seeks a mixture of managers by style, size, geography and liquidity that can perform well in a variety of markets and can protect against a market correction.
- (d) This category invests in funds that provide exposure to Real Estate Investment Trusts (REITs), commodities, and natural resources. The strategy complements a policy portfolio and is intended to provide inflation protection relative to equities and fixed income.
- (e) This category purchases investment grade fixed income securities with duration typically of one to three years.
- (f) This category invests in fixed income securities issued by the U.S. Government, U.S. Government agencies, and of corporations domiciled in the United States, developed international markets and emerging markets. These securities have investment grade credit ratings and non-investment grade credit ratings.
- (g) This category purchases each stock in the Standard & Poor's 500 Index. The strategy is to buy and hold securities, trading when there is a change to the index, participant cash flows, or to reinvest cash from dividend income.
- (h) This category purchases each stock in the Standard & Poor's 500 Index. The strategy is to buy and hold securities, trading when there is a change to the index, participant cash flows, or to reinvest cash from dividend income.

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As of June 30, 2019, the fair values of investments, assets whose use is limited and beneficial interest in perpetual trusts, in thousands of dollars, are presented in the consolidated balance sheets under the following classifications:

	Level 1	Level 2	Level 3	Total Fair Value
Investments, current	\$ 26,374	\$ 21,823	\$ -	\$ 48,197
Assets whose use is limited, current	5,056	30,376	-	35,432
Investments, non-current	143,946	32	-	143,978
Assets whose use is limited, non-current	49,962	68	-	50,030
Beneficial interest in perpetual trusts	-	-	47,212	47,212
	<u>\$ 225,338</u>	<u>\$ 52,299</u>	<u>\$ 47,212</u>	<u>324,849</u>
Investments at NAV				<u>174,402</u>
				<u><u>\$ 499,251</u></u>

4. Investment Income

Investment income and net realized and unrealized gains (losses) for 2020 and 2019 included in the consolidated statements of operations and changes in net assets, in thousands of dollars, are comprised of the following:

	2020	2019
Investment income included in non-operating revenues:		
Interest and dividends	\$ 5,800	\$ 6,883
Net realized gains on sales of investments	2,227	11,626
Net unrealized gains on sales of investments	3,348	-
Investment impairments	<u>(2,784)</u>	<u>(499)</u>
Total investment income on net assets without donor restrictions	<u>\$ 8,591</u>	<u>\$ 18,010</u>
	2020	2019
Investment income (net assets with donor restrictions):		
Interest and dividends	\$ 1,359	\$ 1,329
Net realized gains on sales of investments	1,739	405
Investment impairments	<u>(1,412)</u>	<u>(38)</u>
Total investment income on net assets with donor restrictions	<u>\$ 1,686</u>	<u>\$ 1,696</u>

Increases in net unrealized gains for 2020 and 2019 included in the consolidated statements of operations and changes in net assets, in thousands of dollars, are comprised of the following:

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	2020	2019
Change in net unrealized (loss) gain on investments on assets without donor restrictions	\$ 100	\$ (813)
Change in net unrealized gain on investments on net assets with donor restrictions	(3,074)	2,119
	<u> </u>	<u> </u>
Total change in net unrealized (losses) gains	<u>\$ (2,974)</u>	<u>\$ 1,306</u>

Included in interest, dividends and net realized and unrealized gains are investment management fees of \$2.1 million and \$2.0 million for fiscal years 2020 and 2019 respectively.

5. Assets Whose Use Is Limited

Assets whose use is limited by donors, trust agreements or board designation, in thousands of dollars, were comprised of the following at June 30, 2020 and 2019:

	2020	2019
Self-insurance assets internally designated	\$ 90,438	\$ 87,680
Board designated assets	12,872	13,116
Certificate of deposit held in trust used as debt collateral	26,510	27,007
Net assets with donor restrictions invested	<u>90,515</u>	<u>91,417</u>
	<u>\$ 220,335</u>	<u>\$ 219,220</u>

6. Land, Buildings and Equipment

A summary of land, buildings and equipment, in thousands of dollars, is as follows:

	2020	2019
Land and land improvements	\$ 70,557	\$ 68,141
Buildings	791,925	774,211
Equipment	769,445	746,883
Construction in progress	<u>12,343</u>	<u>11,472</u>
	1,644,270	1,600,707
Less: Accumulated depreciation	<u>(1,082,905)</u>	<u>(1,010,641)</u>
	<u>\$ 561,365</u>	<u>\$ 590,066</u>
	<u> </u>	<u> </u>
Total depreciation expense	<u>\$ 72,308</u>	<u>\$ 72,298</u>

Included in equipment and construction in progress are capital leases of \$16.2 million in 2020 and \$16.2 million in 2019; included in accumulated depreciation is \$9.5 million in 2020 and \$8.8 million in 2019 pertaining to the accumulated amortization of capital leases.

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Included in equipment are unamortized computer software costs of \$163.2 million in 2020 and \$158.5 million in 2019. Included in total depreciation expense is \$15.5 million in 2020 and \$16.4 million in 2019 pertaining to amortization of computer software.

7. Long-Term Obligations

Long-term obligations at June 30, 2020 and 2019, in thousands of dollars, consisted of the following:

	2020	2019
Series 2015A Bonds (a)	\$ 439,352	\$ 448,842
Finance leases (b)	2,663	4,503
HELP Loan (c)	20,000	-
Other (d)	<u>2,309</u>	<u>2,491</u>
	464,324	455,836
Less: Current portion	<u>32,259</u>	<u>11,994</u>
	<u>\$ 432,065</u>	<u>\$ 443,842</u>

- a. On June 24, 2015, the Network issued \$453,470,000 in Health System Revenue Bonds, Series 2015A through the Montgomery County Industrial Development Authority ("MCIDA"). The bond proceeds, along with other funds were used to:
 - i. refunding of Series 2009A and 2010 bonds,
 - ii. refinancing of taxable debt incurred as capitalized costs during construction of EMCM (Negative Arbitrage Loan)
 - iii. payment of (or reimbursement for) cost of building renovations, equipment or other miscellaneous capital expenditures and,
 - iv. payment of bond issuance costs.

In conjunction with (a) above, the Network has entered into a loan agreement with MCIDA whereby MCIDA has loaned the proceeds of the Series 2015A bonds to the Network. The Network has agreed to repay the loan by paying amounts sufficient to pay, when due, the principal and interest on the Series 2015A bonds.

Stated interest rates on the bonds outstanding at June 30, 2020 range from 4.0% to 5.25%.

As evidence of its obligation under the loan agreement and in order to provide security for the repayment of the loan, the Network has issued its Series 2015A Master Note and granted MCIDA through its Trustee a mortgage lien and security interest in certain real property owned by the Network.

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For the purpose of securing payment of the Series 2015A Bonds, AEHN (the Network parent company), AEMC, EMCM, EPPI, ECHA, MHMC, and Fornance, formed the AEHN Obligated Group (the "Obligated Group"). No other Network affiliates other than members of the Obligated Group were obligated or are guarantors of the Series 2015A Bonds.

- b. During the fiscal year ended June 30, 2017, Albert Einstein Medical Center entered into finance lease agreements for information technology infrastructure. Some leases are payable in monthly installments through 2022, ranging from \$131,000 in 2019 to \$141,000 in 2022. One lease is payable in equal annual installments from 2020 through 2021 for \$121,913.

During the fiscal year ended June 30, 2019, Albert Einstein Medical Center entered into a finance lease agreement for clinical equipment. The lease is payable in monthly installments through 2022, ranging from \$9,964 in 2020 to \$11,032 in 2022.

- c. During the fiscal year ended June 30, 2020, Albert Einstein Medical Center and Einstein Medical Center borrowed \$10 million each through the Pennsylvania Hospital Emergency Loan Program (HELP). This program was established to provide a short-term financing solution for Pennsylvania hospitals until sufficient federal grant funding through the Coronavirus Aid, Relief, and Economic Security (CARES) Act is received by the hospital. The funding was dispersed by the Pennsylvania Infrastructure Investment Authority and is administered by the Pennsylvania Department of Community and Economic Development (DCED) through the Pennsylvania First Program. The interest rate is .5%. A balloon payment of the accrued interest and principal is due by September 25, 2020. The loan is secured by an assignment of Federal COVID-19 Relief Funds.
- d. In 2016 Albert Einstein Healthcare Network commenced a \$5.4 million revolving line of credit for a commercial card payment program. There are no stated interest rates on this line of credit as the balance is due in full each month. For the fiscal years ended June 30, 2020 and 2019, outstanding draws on this revolving line of credit were \$2.3 million and \$2.5 million respectively.

Cash paid for interest on long-term debt in 2020 and 2019 was \$22.5 million and \$22.9 million, respectively.

Principal payments and installments for debt service requirements over the next five years and thereafter, in thousands of dollars, are as follows:

	Series 2015A	Finance Leases	Other	Combined
2021	\$ 8,175	\$ 1,897	\$ 22,309	\$ 32,381
2022	8,585	766	-	9,351
2023	9,015	-	-	9,015
2024	9,465	-	-	9,465
2025	9,940	-	-	9,940
Thereafter	394,172	-	-	394,172
	<u>\$ 439,352</u>	<u>\$ 2,663</u>	<u>\$ 22,309</u>	<u>\$ 464,324</u>

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8. Pension Plans

The Network has a non-contributory defined benefit retirement plan ("The Plan"), which provides retirement benefits, generally at age 65, to all employees other than the employees of EMCM and FPS. Benefits under the Plan are based on average final pay and years of service. Contributions to the Plan are designed to meet the minimum funding requirements of the Employee Retirement Income Security Act of 1974 and the Pension Protection Act of 2006. The measurement date used for plan assets and liabilities is June 30th of each year.

Both MHMC and FPS curtailed its individual non-contributory defined benefit plan effective May 31, 2003, when benefit accruals were frozen. On June 30, 2015 the MHMC and FPS plans were merged with the Plan. Due to the merger of the plans, all assets, liabilities, and participants of the MHMC and FPS plans were considered to be part of the Plan upon the merger effective date of June 30, 2015.

Items included in unrestricted net assets represent amounts that have not been recognized in net periodic pension expense. The component recognized in unrestricted net assets, as of June 30 includes:

	2020	2019
Net actuarial loss	\$ 316,348	\$ 249,567

The changes in amounts in unrestricted net assets that have not been recognized in net periodic pension expense are as follows:

	2020	2019
Net assets without donor restrictions, prior year	\$ 249,567	\$ 204,571
Recognition of net actuarial losses	(21,506)	(16,331)
Increase (decrease) in net actuarial loss	<u>88,288</u>	<u>61,327</u>
	<u>\$ 316,348</u>	<u>\$ 249,567</u>

Year-end amounts in unrestricted net assets expected to be recognized as a component of net periodic pension expense during the following fiscal year is as follows:

	2020	2019
Amortization of net actuarial losses	\$ 27,177	\$ 20,200

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The components of pension expense for the Plan were as follows:

	2020	2019
Components of net periodic pension cost		
Service cost	\$ 26,121	\$ 22,451
Interest cost	26,435	28,905
Expected return on plan assets	(36,477)	(36,556)
Recognized actuarial loss	21,506	16,331
Net periodic pension cost	<u>\$ 37,586</u>	<u>\$ 31,131</u>

Actuarial assumptions used to compute pension expense were as follows:

	2020	2019
Discount rate	3.70%	4.30%
Long-term rate of return	8.00%	8.00%
Compensation increase	2.53%	3.47%

The components of the pension plan financial position on the consolidated balance sheets, in thousands of dollars, were as follows:

	2020	2019
Change in benefit obligation		
Projected benefit obligation, beginning of year	\$ 715,900	\$ 677,740
Service cost	26,121	22,451
Interest cost	26,435	28,905
Actuarial loss (gain)	71,307	61,325
Benefit payments	<u>(67,801)</u>	<u>(74,520)</u>
Projected benefit obligation, end of year	<u>771,962</u>	<u>715,900</u>
Change in Plan assets		
Fair value of Plan assets, beginning of year	444,251	452,360
Actual return on Plan assets	19,495	36,554
Employer contributions	89,360	29,858
Benefit payments	<u>(67,801)</u>	<u>(74,520)</u>
Fair value of Plan assets, end of year	<u>485,305</u>	<u>444,251</u>
Funded status, end of year (non-current liability)	<u>\$ (286,657)</u>	<u>\$ (271,649)</u>

Included in Fair value of Plan assets are accrued income of \$1.6 million and \$1.6 million, and accrued expenses of \$0.4 million and \$0.4 million, as of June 30, 2020 and June 30, 2019, respectively.

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Amounts recognized on the consolidated balance sheet consist of:

	2020	2019
Accrued pension liability	\$ 286,657	\$ 271,649
Net assets without donor restrictions (cumulative actuarial loss and prior service cost)	(316,348)	(249,567)
Net amount recognized	<u>\$ (29,692)</u>	<u>\$ 22,082</u>

Assumptions utilized to estimate year-end pension obligations are as follows:

	2020	2019
Discount rate	3.00%	3.70%
Compensation increase	2.54%	2.53%

The Accumulated Benefit Obligation was \$734.9 million and \$685.6 million as of June 30, 2020 and June 30, 2019, respectively.

Projected Benefit Payments

Benefit payments for the next ten years, in thousands of dollars, are currently projected to be:

2021	27,520
2022	29,223
2023	30,859
2024	32,538
2025	34,159
2026-2030	190,119

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Asset Allocation

The asset allocation of the Plan's investments can be summarized as follows:

	Target Allocation 2020	Percentage of Plan Assets June 30	
		2020	2019
Equity Securities	45.0%	43.8%	43.4%
Debt Securities	40.0%	37.8%	39.9%
Alternative Investments	10.0%	10.9%	10.9%
Inflation Hedging	5.0%	4.4%	4.8%
Cash & Equivalents	-	3.1%	1.0%
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

The expected long-term rate of return for the U.S. plan assets of 8% is based on the expected return of each of the above categories, weighted based on the target allocations for each class. Equity securities are expected to return 10% on average over the long-term, while the average expected return for debt securities is 5% over the long-term.

The Network's investment policy utilizes a constant risk strategy, whereby employer contributions and the sale of securities are utilized to rebalance the asset allocation back to target levels when the actual asset allocation percentages vary from the target allocation percentages. Under normal market conditions, tolerance for variation from target percentages has been approximately 5%.

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The following table presents the Plan's assets as of June 30, 2020, in thousands of dollars, measured at fair value on a recurring basis using the fair value hierarchy defined in Note 2:

	Level 1	Level 2	Level 3	Total Fair Value
Pension investment program:				
Cash management funds	\$ -	\$ 21,629	\$ -	\$ 21,629
U.S. treasury obligations	-	14,913	-	14,913
U.S. agency obligations	-	2,066	-	2,066
Bond mutual funds	41,430	-	-	41,430
Equity mutual funds	68,651	-	-	68,651
Corporate bonds	-	162,683	-	162,683
Alternative investments	12,240	-	-	12,240
Total pension investment program	\$ 122,321	\$ 201,291	\$ -	323,612
Investments at NAV				160,607
				<u>\$ 484,219</u>

The unfunded commitments, redemption frequency and redemption notice periods for the Plans' investments that utilize Net Asset Value (NAV) for practical expedient purposes by strategy are as follows in thousands of dollars:

Category	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Long/Short Equity (a)	\$ 10,866	-	Daily/Quarterly	45-90 Days
Event Driven (b)	28,922	-	Quarterly/Annually	45-65 Days
Multi-Strategy (c)	-	-	Monthly/Quarterly	65-90 Days
Real Assets (d)	18,266	-	Daily	
Equity Index Funds (e)	79,377	-	Daily	
Long Equity (f)	23,176	-	Daily/Monthly	10 Days

- (a) This category includes investments in hedge funds that invest in long and short positions in both domestic and international stocks.
- (b) This category includes investments in hedge funds that seek to preserve capital and to profit from merger arbitrage, distressed investments, and extraordinary corporate actions with predictable outcomes.
- (c) This category invests in hedge funds of funds that pursue multiple strategies to diversify risks and reduce downside exposure. The portfolio seeks a mixture of managers by style, size, geography and liquidity that can perform well in a variety of markets and can protect against a market correction.

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- (d) This category invests in funds that provide exposure to Real Estate Investment Trusts (REITs), commodities, and natural resources. The strategy complements a policy portfolio and is intended to provide inflation protection relative to equities and fixed income.
- (e) This category purchases each stock in the Standard & Poor's 500 Index. The strategy is to buy and hold securities, trading when there is a change to the index, participant cash flows, or to reinvest cash from dividend income.
- (f) This category includes funds that invest principally in equity securities of small and large capitalization U.S. companies and other developed and emerging market countries.

The following table presents the Plan's assets as of June 30, 2019, in thousands of dollars, measured at fair value on a recurring basis using the fair value hierarchy defined in Note 2:

	Level 1	Level 2	Level 3	Total Fair Value
Pension investment program:				
Cash management funds	\$ -	\$ 4,801	\$ -	\$ 4,801
U.S. treasury obligations	-	1,742	-	1,742
U.S. agency obligations	-	1,361	-	1,361
Bond mutual funds	37,198	-	-	37,198
Equity mutual funds	67,432	-	-	67,432
Corporate bonds	-	171,773	-	171,773
Alternative investments	6,976	-	-	6,976
Total pension investment program	\$ 111,606	\$ 179,677	\$ -	291,283
Investments at NAV				151,750
				<u>\$ 443,033</u>

The unfunded commitments, redemption frequency and redemption notice periods for the Plans' investments that utilize Net Asset Value (NAV) for practical expedient purposes by strategy are as follows in thousands of dollars:

Category	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Long/Short Equity (a)	\$ 6,486	-	Daily/Quarterly	45-90 Days
Event Driven (b)	14,462	-	Quarterly/Annually	45-65 Days
Multi-Strategy (c)	19,394	-	Monthly/Quarterly	65-90 Days
Real Assets (d)	21,468	-	Daily	
Equity Index Funds (e)	63,567	-	Daily	
Long Equity (f)	26,372	-	Daily/Monthly	10 Days

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- (a) This category includes investments in hedge funds that invest in long and short positions in both domestic and international stocks.
- (b) This category includes investments in hedge funds that seek to preserve capital and to profit from merger arbitrage, distressed investments, and extraordinary corporate actions with predictable outcomes.
- (c) This category invests in hedge funds of funds that pursue multiple strategies to diversify risks and reduce downside exposure. The portfolio seeks a mixture of managers by style, size, geography and liquidity that can perform well in a variety of markets and can protect against a market correction.
- (d) This category invests in funds that provide exposure to Real Estate Investment Trusts (REITs), commodities, and natural resources. The strategy complements a policy portfolio and is intended to provide inflation protection relative to equities and fixed income.
- (e) This category purchases each stock in the Standard & Poor's 500 Index. The strategy is to buy and hold securities, trading when there is a change to the index, participant cash flows, or to reinvest cash from dividend income.

Contributions

In June of 2020, the Network made a fiscal year 2021 funding contribution of \$48 million. The Network does not project to make additional contributions to the plan the Plan during the 2021 fiscal year.

In addition to the defined benefit plan, the Network maintains defined contribution plans that cover substantially all employees. Under the defined contribution plans, employees may elect to contribute a percentage of their salary, which is matched in accordance with the provisions of the plans. Total plan expenses for the years ended June 30, 2020 and 2019 were \$2.4 million and \$2.2 million, respectively.

9. Professional Liability Claims

At June 30, 2020 and 2019 the Network has accrued professional liability claims of approximately \$155.8 million and \$158.0 million, respectively. In addition, the Network has recorded \$46.4 million and \$57.5 million for 2020 and 2019, respectively, of insurance liabilities that are recoverable from insurance carriers. These claims have been discounted at a 3% rate. As of June 30, 2020, and 2019, the carrying amount of these accrued liability claims before discounting was \$217.9 million and \$233.9 million, respectively. The Network has recognized professional liability expense of approximately \$38.8 million and \$35.3 million, for the years ended June 30, 2020 and 2019 respectively.

The Network obtains primary hospital and physician professional liability and general liability coverage through BRRG. BRRG provides the first ("primary") layer of professional liability on a claims made coverage basis with limits of \$500,000 per professional incident/\$2,500,000 annual aggregate per licensed acute care hospital, \$500,000 per professional incident/\$1,500,000 annual aggregate per long term care facility, \$1,000,000 per professional incident/\$3,000,000 annual aggregate for Belmont for claims that occurred prior to July 1, 2015 but reported after July 1, 2015, \$1,000,000 per professional incident/\$3,000,000 annual aggregate for non-healthcare professional liability, \$500,000 per professional incident and \$1,500,000 annual aggregate per physician and \$1,000,000 per professional incident/\$3,000,000 annual aggregate per employed Dentist at June 30, 2020 and 2019. The limits for this primary coverage layer are statutorily prescribed in Pennsylvania. BRRG provides general liability coverage on an occurrence basis with limits of liability of \$1,000,000 per occurrence/\$3,000,000 annual aggregate. The premiums charged for the primary layer are determined by an independent actuary inclusive of loss and loss adjustment

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expense experience and other factors, based on the actuary's best estimate of expected losses during fiscal years 2020 and 2019, plus a charge for premium tax and operating expenses. The premiums charged by BRRG are subject to annual retrospective adjustments made to align assets available for payment of claims at fiscal year-end with estimated liabilities. Claims are recorded on a discounted basis using a rate of 3% as of June 30, 2020 and 2019.

The second layer of coverage is provided through Pennsylvania's Medical Care Availability and Reduction of Error Fund (the "MCARE Fund"). MCARE acts as a service agent to facilitate the payment of medical malpractice claims exceeding the primary layer of professional liability insurance carried by AEHN and most of the physicians they insure. This second layer, required by statute, consists of coverage with limits of \$500,000 per incident and \$1,500,000 annual aggregate per hospital, long term care facility and per employed physician at June 30, 2020 and June 30, 2019. The annual assessments for MCARE Fund coverage are based on a schedule of occurrence rates approved by the Insurance Commissioner of Pennsylvania for the Pennsylvania Professional Liability Joint Underwriting Association multiplied by an annual assessment percentage. This assessment is recognized as an expense in the period incurred.

AEHN and its employed/insured physicians paid surcharge assessments during fiscal years 2020 and 2019 totaling \$5.1 million and \$5.4 million, respectively. The actuarially computed liability to all Pennsylvania healthcare providers (hospital, physicians and others) participating in the Commonwealth's MCARE Fund at December 31, 2018 (the latest date for which such information is available) was \$999 million. No provision has been made for any MCARE Fund unfunded liabilities in the accompanying financial statements as AEHN's portion of the MCARE Fund unfunded liability cannot be reasonably estimated. Of those insurance liabilities that are recoverable from insurance carriers noted above, \$35.6 million and \$44.4 million are recoverable from MCARE, for fiscal years ended June 30, 2020, and 2019 respectively.

The Network's recorded expense for potential losses in excess of the primary and MCARE layers up to a \$6 million each professional incident/\$6 million annual aggregate retention excess of \$6 million each and every professional incident (acute care facilities excluding EMCM and any potential losses from the former operations of MHMC), \$5 million each and every professional incident (EMCM, MH, Farnance, Einstein at Elkins Park) and \$4 million each professional incident/\$4 million annual aggregate retention excess of \$2 million each and every professional incident (psychiatric, rehabilitation and long term care services) is based on actuarially determined estimates at the expected level for fiscal years 2020 and 2019. A 3% discount rate was utilized for fiscal year 2020 and fiscal year 2019. These estimates are based on historical information along with certain assumptions about future events. Changes in assumptions for such considerations as medical costs and actual experience could cause these estimates to change. Primary and MCARE erode these retentions.

During fiscal years 2020 and 2019, BRRG provided excess, professional liability on claims made coverage basis and umbrella liability coverage on an occurrence basis with limits of liability of \$40 million per professional incident/ \$40 million annual aggregate and \$40 million per occurrence/ \$40 million annual aggregate respectively in excess of underlying coverage and limits. BRRG has reinsured 100% of the excess professional liability and umbrella liability to reinsurance companies, Continental Casualty Company, Berkley Insurance Company and Ironshore, all rated A or better by A.M. Best.

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10. Commitments and Contingencies

Lines and Letters of Credit

The Network had a \$28 million open line of credit as of June 30, 2020 and 2019 respectively. The Network may issue letters of credit under the line of credit provided that the aggregate of all such letters does not exceed \$28 million. The Network had open letters of credit under the line of credit aggregating to \$26.5 million as of June 30, 2020 and 2019 respectively. Letters of credit are reviewed and renewed, as needed on an annual basis. The letters are secured by a certificate of deposit held in trust.

Litigation

The Network is involved in litigation and regulatory investigations arising in the ordinary course of business. In the opinion of management, all such matters are adequately covered by commercial insurance or by accruals, and if not so covered, are without merit or are of such kind, or involve such amounts, as would not have a material adverse effect on the financial position or results of operations of the Network.

Other

A large portion of the Network's net revenue is derived from services provided to beneficiaries of government sponsored health care programs, principally Medicare and Medicaid. The Network, like other health care providers who participate in these programs, is required to adhere to billing, coding and other requirements. As a condition of its receiving payment and continued participation in Medicare and Medicaid programs, the Network must comply with extensive federal and state regulations and must submit to reviews and audits by the federal and state agencies charged with administering these programs.

Violations of these billing, coding and other similar requirements can subject the Network to claims by the government for repayment of amounts it received for the services billed to the government programs, as well as for civil monetary penalties of up to three times the amount of payments received from the programs. Failure to comply with any of the laws or regulations under these programs could have a material, adverse effect on the Network's financial position and results of operations.

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11. Leases

The Network and its related entities have various lease obligations for equipment, ambulatory facilities and office space. The leases have remaining lease terms of 1 year to 30 years, some of which may include an option to extend and some of which include an option to terminate leases within one year. The components of the lease expense were as follows:

	2020
Finance lease cost	
Amortization of right-of-use assets (depreciation)	\$ 711
Interest on lease liabilities	114
Operating lease costs	11,916
Short-term lease costs	2,000
Total Lease cost	<u>\$ 14,741</u>

Supplemental cash flow information

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows from operating leases	\$ 9,661
Operating cash flows from finance leases	114
Financing cash flows from finance leases	1,840

Right-of-use assets obtained in exchange for lease obligations:

Operating leases	\$ 35,966
Finance leases	-

Weighted average remaining lease term in (in years)

Operating leases	6.76
Finance leases	1.41

Weighted average discount rate

Operating leases	4.11%
Finance leases	3.00%

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At June 30, 2020, the minimum future rental commitment, in thousands of dollars, is as follows:

	<u>Operating</u>	<u>Finance</u>
2021	\$ 8,913	\$ 1,954
2022	5,753	772
2023	3,584	
2024	2,875	
2025	2,431	
Thereafter	9,466	
Total future minimum lease payments	<u>33,022</u>	<u>2,726</u>
Less imputed interest	3,283	63
Net present value of minimum lease payments	<u>\$ 29,739</u>	<u>\$ 2,663</u>

Total rent expense was \$13.9 million in 2020 and \$12.6 million in 2019.

12. Donor Restricted Endowment Funds

The Network adopted FASB guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enhanced version of the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA") and additional disclosures about an organization's endowment funds. Pennsylvania is one of three states that have not adopted UPMIFA to date, however certain disclosures are made as required under the FASB guidance.

The Network's endowments consist of 424 individual funds established for purposes specified by donors (Specific Purpose Funds), 126 individual funds for which donors have established permanent balances (Endowment Funds), 16 outside trust funds where the Network is a benefactor (Perpetual Trusts) and 1 fund established by the Board of Trustees to underwrite rehabilitation research (Board Designated Funds). Net assets associated with each of these groups of funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based upon the existence or absence of donor-imposed restrictions.

The Network has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment. Endowment assets are invested in a manner to provide that sufficient assets are available as a source of liquidity for the intended use of the funds, achieve the optimal return possible within the specified risk parameters, prudently invest assets in a high-quality diversified manner, and adhere to the established guidelines.

The Network's spending formula can be characterized as applying a spending rate to a three-year market value average (utilizing a 12-quarter rolling average) of endowment assets. The spending formula is reviewed and updated annually. For the periods ended June 30, 2020 & 2019, the spending rate was 4%.

To satisfy its long-term rate-of-return objectives, the Network relies on a total return strategy in which investment returns are achieved through both capital appreciation, (realized and unrealized) and current yield (interest and dividends). The Network targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

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The Board of Trustees has interpreted the State Prudent Management of Institution Funds Act ("SPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Network classifies as permanently restricted net assets (a) the original value of gifts donated to a permanent endowment, (b) the original value of subsequent gifts to a permanent endowment, and (c) accumulations to a permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund, except for beneficial interests in perpetual trusts, that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Network in a manner consistent with the standard of prudence prescribed by SPMIFA. A summary of net asset composition by type of endowment restrictions fund and changes in net assets by those types of funds, in thousands of dollars, is as follows:

June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions			Total
	Board Designated	Specific Purpose	Endowments	Perpetual Trusts	
Donor-restricted endowment funds	\$ -	\$ 81,464	\$ 11,096	\$ 45,793	\$ 138,353
Board-designated endowment funds	12,872	-	-	-	\$ 12,872
Total Funds	<u>\$ 12,872</u>	<u>\$ 81,464</u>	<u>\$ 11,096</u>	<u>\$ 45,793</u>	<u>\$ 151,225</u>

June 30, 2019:

	Without Donor Restrictions	Donor Restricted			Total
	Board Designated	Specific Purpose	Endowments	Perpetual Trusts	
Donor-restricted endowment funds	\$ -	\$ 83,314	\$ 10,928	\$ 47,209	\$ 141,451
Board-designated endowment funds	13,116	-	-	-	\$ 13,116
Total Funds	<u>\$ 13,116</u>	<u>\$ 83,314</u>	<u>\$ 10,928</u>	<u>\$ 47,209</u>	<u>\$ 154,567</u>

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Changes in Net Assets functioning as endowments for the fiscal years ended June 30, 2020 and 2019, in thousands of dollars, are as follows:

	Without Donor Restrictions	With Donor Restrictions			Total
	Board Designated	Specific Purpose	Endowments	Perpetual Trusts	
Endowment net assets June 30, 2018	\$ 12,462	\$ 78,115	\$ 9,903	\$ 47,348	147,828
Investment return:					
Investment income	159	1,354	-	-	1,513
Net appreciation (realized and unrealized)	506	3,234	-	(735)	3,005
Total investment return	<u>665</u>	<u>4,588</u>	<u>-</u>	<u>(735)</u>	<u>4,518</u>
Contributions	-	7,965	1,025	-	8,990
Appropriation of endowment assets for expenditure	(11)	(7,316)	-	-	(7,327)
Other changes:					
Change in beneficial interest in Perpetual trust	-	-	-	596	596
Investment impairment	<u>-</u>	<u>(38)</u>	<u>-</u>	<u>-</u>	<u>(38)</u>
Endowment net assets June 30, 2019	<u>13,116</u>	<u>83,314</u>	<u>10,928</u>	<u>47,209</u>	<u>154,567</u>
Investment return:					
Investment income	194	1,247			1,441
Net appreciation (realized and unrealized)	(438)	208		(1,431)	(1,661)
Total investment return	<u>(244)</u>	<u>1,455</u>	<u>-</u>	<u>(1,431)</u>	<u>(220)</u>
Contributions	-	4,135	168	-	4,303
Appropriation of endowment assets for expenditure		(6,028)			(6,028)
Other changes:					
Change in beneficial interest in Perpetual trust				15	15
Investment impairment	<u>-</u>	<u>(1,412)</u>	<u>-</u>	<u>-</u>	<u>(1,412)</u>
Endowment net assets June 30, 2020	<u>\$ 12,872</u>	<u>\$ 81,464</u>	<u>\$ 11,096</u>	<u>\$ 45,793</u>	<u>\$ 151,225</u>

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	2020	2019
With Donor Restrictions		
Endowment funds		
(1) The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by SPMIFA	\$ 56,889	\$ 58,137
Total endowment funds classified as perpetual	<u>\$ 56,889</u>	<u>\$ 58,137</u>
 (2) The portion of perpetual endowment funds subject to a time restriction under SPMIFA:		
Cumulative realized and unrealized gains	\$ 41,973	\$ 45,610
Funds appropriated for specific purpose expenditure	<u>39,491</u>	<u>37,704</u>
Total endowment funds subject to a time restriction	<u>\$ 81,464</u>	<u>\$ 83,314</u>
Total endowment funds classified as net assets with donor restrictions	<u>\$ 138,353</u>	<u>\$ 141,451</u>

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Albert Einstein Healthcare Network

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

The Network receives contributions in support of research, education and clinical activities. Net assets with donor restrictions were available on June 30, 2020 and 2019 in thousands of dollars, are as follows.

Net Assets with donor Restrictions

	2020	2019
Subject to expenditure for specified purpose:		
Buildings and Equipment	\$ 4,272	\$ 4,239
Clinical Care Support	25,665	24,216
Education	875	1,058
Other	1,010	726
Research	7,669	7,465
Total expenditure for specified purpose	<u>39,491</u>	<u>37,704</u>
Endowments:		
Perpetual in nature		
Buildings and Equipment	250	250
Charity care	951	951
Clinical Care Support	54,809	56,057
Education	15	15
Other	373	373
Research	491	491
Total expenditure for specified purpose	<u>56,889</u>	<u>58,137</u>
Subject to endowment spending policy:		
Buildings and Equipment	5	18
Charity care	7,521	7,972
Clinical Care Support	28,342	31,143
Education	56	60
Other	1,720	1,831
Research	4,329	4,586
Total expenditure for specified purpose	<u>41,973</u>	<u>45,610</u>
Total net assets with donor restrictions	<u>\$ 138,353</u>	<u>\$ 141,451</u>

Albert Einstein Healthcare Network

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

13. Functional Expenses

The following is a summary of operating expenses by nature and function for the years ending June 30, 2020 and 2019 in thousands of dollars. Reclassifications were made to the prior year presentation.

Year ended June 30, 2020	Hospital Services					Physician Services			General & Administrative Support			
	Acute Care	Research	Skilled Nursing	Rehabilitation	Total	Tertiary	Primary	Total	Hospital & Physician Services	Other	Total	Total
Salaries and employee benefits	\$ 482,400	\$ 10,396	\$ 5,030	\$ 66,590	\$ 564,416	\$ 124,805	\$ 45,751	\$ 170,556	\$ 48,142		\$ 48,142	\$ 783,114
Supplies	159,622	622	170	4,805	165,219	4,140	4,863	9,003	2,690		2,690	176,912
External physician, clinical and professional service fees	84,477	3,158	129	5,757	93,521	15,549	3,633	19,182	24,786	354	25,140	137,843
Depreciation and amortization	62,297	4	280	1,488	64,069	602	801	1,403	6,713	357	7,070	72,542
Interest expense	20,843				20,843			-			-	20,843
Insurance	24,556	27	255	364	25,202	13,360	2,128	15,488	343		343	41,033
Other	68,438	2,856	1,580	8,581	81,455	8,401	5,616	14,017	5,522	618	6,140	101,612
Total Functional Expenses	\$ 902,633	\$ 17,063	\$ 7,444	\$ 87,585	\$ 1,014,725	\$ 166,857	\$ 62,792	\$ 229,649	\$ 88,196	\$ 1,329	\$ 89,525	\$ 1,333,899

Year ended June 30, 2019	Hospital Services					Physician Services			General & Administrative Support			
	Acute Care	Research	Skilled Nursing	Rehabilitation	Total	Tertiary	Primary	Total	Hospital & Physician Services	Other	Total	Total
Salaries and employee benefits	\$ 454,858	\$ 10,344	\$ 5,151	\$ 65,938	\$ 536,291	\$ 131,129	\$ 43,800	\$ 174,929	\$ 45,019	\$ -	\$ 45,019	\$ 756,239
Supplies	157,945	653	239	4,940	163,777	4,817	5,732	10,549	347	-	347	174,673
External physician, clinical and professional service fees	86,426	2,268	92	7,299	96,085	14,536	4,264	18,800	17,297	1,186	18,483	133,368
Depreciation and amortization	60,968	3	471	1,631	63,073	602	814	1,416	7,611	414	8,025	72,514
Interest expense	21,040	-	-	-	21,040			-	-	-	-	21,040
Insurance	23,037	28	281	342	23,689	12,738	1,644	14,382	315	(953)	(638)	37,433
Other	64,777	3,281	1,688	8,997	78,743	7,955	4,628	12,583	6,026	577	6,603	97,929
Total Functional Expenses	\$ 869,051	\$ 16,577	\$ 7,922	\$ 89,147	\$ 982,698	\$ 171,777	\$ 60,882	\$ 232,659	\$ 76,615	\$ 1,224	\$ 77,839	\$ 1,293,196

14. Liquidity and Availability

The Financial assets available for general expenditure within one year of the balance sheet date, comprise the following at June 30, 2020 in thousands of dollars:

	2020
Cash and cash equivalents	\$ 103,577
Accounts receivable	130,483
Other receivables	5,056
Investments	298,969
Total financial assets available within one year	\$ 538,085

The Network's endowment funds consist of donor-restricted endowments and funds designated by the board as endowment. Income from endowments is restricted for specific purposes, as described in Note 12. The Network has a spending policy and \$1.4 million of appropriation from the endowments will be available in the next twelve months. As part of a liquidity management plan,

Albert Einstein Healthcare Network

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

the Network has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Cash in excess of daily requirements is invested in short-term investments.

15. Asset Retirement Obligations

As of June 30, 2020, and 2019, \$5.1 million and \$4.9 million, respectively, of conditional asset retirement obligations are included within other non-current liabilities in the balance sheet and relate to asbestos remediation. Interest accretion costs reduced operating income and increased the conditional asset retirement liability by \$195,000 for the year ended June 30, 2020 and by \$186,000 for the year ended June 30, 2019.

16. Coronavirus Aid, Relief, and Economic Security (CARES) Act

In response to the disruptions that the COVID-19 pandemic has caused in operations for health care organizations, on March 27, 2020 the Federal Government passed the Coronavirus Aid, Relief, and Economic Stimulus Act (CARES Act) which made funds available to the Network through various provisions of the legislation. Through June 30, 2020, the Network received and recognized CARES Act provider relief funding of \$49.9 million on the consolidated statement of activities. The Network recognized revenue related to the CARES Act provider relief funding based on information contained in laws and regulations, as well as interpretations issued by the Department of Health and Human Services (HHS), governing the funding that was publicly available at June 30, 2020.

The Network received \$81.4 million in advanced payments from the Centers for Medicare and Medicaid Services (CMS) Accelerated and Advanced Payments Program reported as other current liabilities on the consolidated balance sheet, which are expected to be repaid within the next twelve months based on current legislation. In addition, the Network also received \$9.5 million in similar advance payments from other third-party payors that are not provided for by the CARES Act and are also included within other current liabilities.

In July 2020, the Network received additional CARES Act provider relief funding attributable to a targeted distribution of approximately \$134.9 million for COVID-19 high impact ("hot spot") hospitals.

In September 2020, HHS issued new reporting requirements for the CARES Act provider relief funding. The new requirements first require the Network to identify healthcare related expenses attributable to coronavirus that another source has not reimbursed. If those expenses do not exceed the funding received the Network will need to demonstrate that the remaining provider relief funds were used for a negative change in calendar year 2020 patient care operating income compared to calendar year 2019.

HHS is entitled to recoup amounts in excess of the negative change in patient care operating income reported net of healthcare related expenses attributable to coronavirus. Due to these new reporting requirements there is at least a reasonable possibility that amounts recorded under CARES Act provider relief fund by the Network may change in future periods.

Albert Einstein Healthcare Network

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

The CARES Act and related cash funding advances the Network received during the year ended June 30, 2020 are outlined below:

Amounts Received:

(in thousands)

Provider Relief Funds (PRF)	\$ 49,850
Other Grants	<u>810</u>
Total grants (included in total operating revenues, gains and other support)	50,660
Medicare Advance Payment Program	81,368
Other payor advances	<u>9,447</u>
Total advances (included in Other current liabilities)	90,815
Total CARES Act/COVID-19 Funds	<u><u>\$ 141,475</u></u>

**Part II – Schedules of Expenditures of
Federal, State and City Awards**

Albert Einstein Healthcare Network

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2020

Federal Program	CFDA	Direct	Pass-Through	Pass-Through Entity	Pass-Through Entity Sponsor Number	Total Expenditures	Passed to Sub-Recipients
Research and Development Cluster							
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES							
National Institutes of Health							
Cognitive Control & Sentence Processing in Aphasia	93.173	\$ -	\$ 123,339	The George Washington University	18-S15	\$ 123,339	\$ -
Cognitive & Neural - Middleton	93.173	-	28,910	The University of Alabama at Birmingham	000524835-001	28,910	-
		-	152,249			152,249	
Prospective Surveillance Drug and HDS-Induced Liver Injury	93.847	351,030	-			351,030	-
Drug-Induced Liver Injury Network	93.847	-	1,998	Duke University	2037923	1,998	-
		351,030	1,998			353,028	
RMSTP	93.865	-	32,154	University of Pittsburgh	AWD00000279(132614-1)	32,154	-
Postdoctoral Training in Translational Neurorehabilitation Research	93.865	187,859	-			187,859	-
Coordinating Two Arms for Function: Contribution of task goals and unimanual impairments	93.865	49,655	-			49,655	-
Perceptual Motor Interaction to Improve Bimanual Coordination after Stroke	93.865	258,936	-			258,936	72,182
Temporal Patterns of Participation Restrictions and Depression after TBI	93.865	55,101	-			55,101	9,404
		551,551	32,154			583,705	
TRANSPORT 2	93.853	-	29,151	University of Cincinnati National Coordinating Center	011381-138467	29,151	-
		-	29,151			29,151	
National Institutes of Neurological Disorders & Stroke							
Understanding Action Selection in the Tool Use Network	93.853	403,957	-			403,957	52,458
		403,957	-			403,957	
National Institute on Deafness and Other Communication Disorders							
Retrieval Practice - Principles	93.173	381,296	-			381,296	45,070
Conceptual Combination	93.173	-	46,019	University of Pennsylvania	568653	46,019	-
TMS	93.173	-	42,560	University of Pennsylvania	574758	42,560	-
		381,296	88,579			469,875	
U.S. DEPARTMENT OF DEFENSE							
United States Air Force							
4103977234	12.U01	-	78,661	Lockheed Martin Corporation	FA8750-18-C-0026	78,661	-
		-	78,661			78,661	
Administration For Community Living-DRRP							
Multicenter Evaluation of Memory Remediation After TBID	93.433	-	8,149	Memorial Hermann Health System	19-MEMRI-NCE-03	8,149	-
The Moss Traumatic Brain Injury Model System	93.433	424,884	-			424,884	-
TBI Nat. Data-Rabinowitz	93.433	-	814	Craig Hospital	2698NDSC-MRRI	814	-
Chronic Pain - Rabinowitz	93.433	-	8,230	Craig Hospital	2694-Moss	8,230	-
mRehab - Rabinowitz	93.433	-	22,125	Shepherd Center, Inc.	SHEP-19-0016	22,125	-
		424,884	39,318			464,202	
U. S. DEPARTMENT OF THE ARMY MEDICAL RESEARCH ACQUISITION ACTIVITY							
TBI Endpoints Development	12.420	-	15,427	The Regents of the University of California	8601sc	15,427	-
		-	15,427			15,427	
Total Research and Development Cluster		2,112,718	437,537			2,550,255	179,114

Albert Einstein Healthcare Network

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2020

Federal Program	CFDA	Direct	Pass-Through	Pass-Through Entity	Pass-Through Entity Sponsor Number	Total Expenditures	Passed to Sub-Recipients
Other Sponsored Programs from Other Federal Agencies							
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES							
Administration on Aging							
Premier Years - Apprise Funds	93.324	-	38,833	Philadelphia Corporation for Aging	9-0495-00	38,833	-
Premier Years - Apprise Telecenter	93.324	-	27,000	Philadelphia Corporation for Aging	1-0495-15	27,000	-
		-	65,833			65,833	-
Premier Years - Apprise Funds	93.071	-	13,419	Philadelphia Corporation for Aging	9-0495-02	13,419	-
		-	79,252			79,252	-
National Institute of Arthritis and Musculoskeletal and Skin Diseases							
Contrast-Enhanced Ultrasound Evaluation of Focal Liver Lesions	93.393	-	52,435	Thomas Jefferson University	080-30000-S27901	52,435	-
		-	52,435			52,435	-
Health Resources and Services Administration							
Ambulatory/Outpatient Medical Care Services	93.914	-	244,018	City Of Philadelphia Department of Public Health	RW9925	244,018	-
Ryan White Amended - Holdsworth	93.914	-	49,362	City Of Philadelphia Department of Public Health	RS8874	49,362	-
		-	293,380			293,380	-
MCH Services Block Grant	93.994	-	219,291	Commonwealth of Pennsylvania Department of Health	4100083220	219,291	-
		-	219,291			219,291	-
Ryan White Title III Funding: Early Intervention Services	93.918	314,655	-			314,655	-
		314,655	-			314,655	-
Healthy Start Initiative-Eliminating Racial/Ethnic Disparities	93.926	788,350	-			788,350	-
		788,350	-			788,350	-
HRSA-HIV/AIDS Emergency Preparedness & Telemedicine	93.918	10,560	-			10,560	-
HRSA-HIV/Dental Capacity Build	93.918	51,796	-			51,796	-
		62,356	-			62,356	-
COVID-19 Claims Reimbursement to Healthcare Providers and Facilities for Testing, Treatment, and Vaccine Administration for the Uninsured	93.461	546,940	-			546,940	-
		546,940	-			546,940	-
Nurse Family Partnership	93.870	-	129,776	Maternal Infant & Early Childhood Home Visiting	4100070325	129,776	-
		-	129,776			129,776	-
Centers for Disease Control							
PrEP Navigation	93.940	-	121,352	City Of Philadelphia Department of Public Health	ST0482	121,352	-
		-	121,352			121,352	-
National Heart, Lung, and Blood Institute							
Hybrid Coronary Revascularization Trial-DCC	93.837	-	1,212	Icahn School of Medicine at Mount Sinai	0255-1503-4605	1,212	-
		-	1,212			1,212	-
Substance Abuse and Mental Health Services Administration							
Emergency Mental Health-Adult-Crisis Response Center	93.958	-	141,817	Philadelphia Department of Behavioral Health and Intellectual Disability Service	17-20362-03	141,817	-
		-	141,817			141,817	-
Total U.S. Department of Health and Human Services		1,712,301	1,038,515			2,750,816	-
U.S. DEPARTMENT OF AGRICULTURE							
Nutrition and Education Program/Eat Right Now	10.561	-	3,644,215	The Pennsylvania State University	S000414-COP-AE	3,644,215	-
SNAP Cluster		-	3,644,215			3,644,215	-
Total U.S. Department of Agriculture		-	3,644,215			3,644,215	-
Total Federal Award Expenditures		\$ 3,825,019	\$ 5,120,267			\$ 8,945,286	\$ 179,114

Albert Einstein Healthcare Network
Schedule of Expenditures of State Awards
Year Ended June 30, 2020

State Program	Program Number	Direct	Pass-Through	Pass-Through Entity	Pass-Through Entity Sponsor Number	Total Expenditures	Passed to Sub-Recipients
Commonwealth of Pennsylvania Department of Human Services							
Community Services - Student Assistance Program	PAC ID - 0101-0228	\$ -	283,857	Philadelphia Department of Behavioral Health and Intellectual Disability Services	17-20362-03	\$ 283,857	-
Long Term Structured Residential	PAC ID - 0100-1605	-	3,565,123	Philadelphia Department of Behavioral Health and Intellectual Disability Services	17-20362-03	3,565,123	-
Emergency Mental Health-Adult-Crisis Response Center	PAC ID - 0100-1031	-	754,157	Philadelphia Department of Behavioral Health and Intellectual Disability Services	17-20362-03	754,157	-
Community Services - Student Assistance Program	PAC CD - 0199-0228	-	77,500	Philadelphia Office of Addiction Services	17-20362-03	77,500	-
Community Based Care Management Program		-	58,668	Health Partners Plans, Inc	400014600	58,668	-
Nurse Family Partnership			316,478	Office of Child Development & Early Learning & Maternal Infant & Early Childho	4100070244	316,478	
Total PA Department of Human Services		-	5,055,783			5,055,783	-
Commonwealth of Pennsylvania Department of Health							
PA C.U.R.E. 2019		6,603	-		4100083081	6,603	-
PA C.U.R.E. 2018 Project I	RFA#67-60	26,646	-		4100079686	26,646	-
PACT: PA Consortium on TBI		-	49,705	University of Pennsylvania	573287	49,705	-
Examining Elderly TBI and Risk for Neurodegeneration	5788-COP-AEHN-7082		128,670	Pennsylvania State University	5788-COP-AEHN-7082	128,670	33,630
Total PA Department of Health		33,249	178,375			211,624	33,630
Total State Award Expenditures		\$ 33,249	\$ 5,234,158			\$ 5,267,407	\$ 33,630

Albert Einstein Healthcare Network
Schedule of Expenditures of City Awards
Year Ended June 30, 2020

City Program	Program Number	Direct	Pass-Through	Pass-Through Entity	Pass-Through Entity Sponsor Number	Total Expenditures
Philadelphia Department of Public Health						
HIV Medical Case Management Services	93.914	\$ -	\$ 179,550	Aids Activities Coordinatiing Office (AACO)	RS9654	\$ 179,550
HIV Substance Abuse Services	93.914	-	48,072	Aids Activities Coordinatiing Office (AACO)	RW9417	48,072
		-	227,622			227,622
Montgomery County Office of Children & Youth Special Grant Initiative						
Nurse Family Partnership		114,718	-			114,718
		114,718	-			114,718
Total City Award Expenditures		\$ 114,718	\$ 227,622			\$ 342,340

Albert Einstein Healthcare Network

Notes to Schedules of Expenditures of Federal, State and City Awards

June 30, 2020

1. General Information

The accompanying schedules of expenditures of federal, state and city awards (the "Schedules") present the activities in all the federal, state and city financial assistance programs of Albert Einstein Healthcare Network ("AEHN") as of June 30, 2020. All financial assistance received directly from federal, state or city agencies, as well as financial assistance passed through other governmental agencies or not-for-profit organizations is included on the schedules. The information in the Schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), the Commonwealth of Pennsylvania, Department of Human Services Single Audit Supplement and the City of Philadelphia Subrecipient Audit Guide.

2. Basis of Accounting

The accompanying schedules of expenditures of federal, state and city awards are presented using the accrual basis of accounting. The amounts reported in these schedules as expenditures may differ from certain financial reports submitted to federal, state or city funding agencies due to those reports being submitted on either a cash or modified accrual basis of accounting.

3. Relationship to Basic Consolidated Financial Statements

Federal, state and city awards expenditures are reported on the statement of operations. In certain programs, the expenditures reported in the basic consolidated financial statements may differ from the expenditures reported in the schedules of federal, state and city awards due to program expenditures exceeding grant or contract budget limitations which are not included as federal, state and city awards. Because the Schedules present only a selected portion of the activities of AEHN, they are not intended to, and do not present either the financial position, changes in net assets or cash flows of AEHN.

4. Facilities and Administrative Costs

Expenditures consist of direct costs and facilities and administrative (indirect) costs. AEHN has a predetermined facilities and administrative rate for federal awards, which is effective from July 1, 2019 to June 30, 2020. AEHN applies its predetermined approved facilities and administrative rate when charging indirect costs to federal awards rather than the 10% de minimis cost rate as described in Section 200.414 of the Uniform Guidance. The rate is a percentage of modified total direct costs for the year ended June 30, 2020 as follows:

AEHN Facility	Rate
Albert Einstein Medical Center	56.0%
Moss Rehabilitation Hospital	60.0%

Albert Einstein Healthcare Network
Notes to Schedules of Expenditures of Federal, State and City Awards
June 30, 2020

5. HRSA COVID-19 Testing and Treatment for the Uninsured

AEHN conducted COVID-19 testing and/or provided treatment for uninsured individuals with a COVID-19 primary diagnosis on or after February 4, 2020 and as such has requested claims reimbursement under CFDA #93.461 Health Resources and Services Administration's ("HRSA") COVID-19 Claims Reimbursement to Health Care Providers and Facilities for Testing, Treatment and Vaccine Administration for the Uninsured program. AEHN has recorded \$546,940 on the Schedule of Expenditures of Federal Awards consisting of \$502,280 reimbursed to date from HRSA on claims with service dates during fiscal year 2020 and \$44,660 in claims with service dates in fiscal year 2020 that have either not yet been submitted to HRSA or have been submitted, but not yet been reimbursed. Claims not yet submitted or reimbursed have been estimated based on services provided and expected reimbursement rates and any adjustments based on actual cash receipts, will be reflected in AEHN's fiscal year 2021 Schedule of Expenditures of Federal Awards.

6. State Program Funding Direct/Pass-Through—Commonwealth of Pennsylvania Department of Health

Total Accrued Revenue Recognized in FY'2020

	CFDA/Program Number	Direct/Pass-Through Entity Identification or Award Number	Amount
MCH Services Block Grant	93.994	4100083220	219,291
PA C.U.R.E. 2018 Project 1	RFA#67-60	4100079686	26,646
PA C.U.R.E. 2019		4100083081	6,603
PACT: PA Consortium on TBI		573287	49,705
Examining Elderly TBI and Risk for Neurodegeneration		5788-COP-AEHN-7082	128,670

Total Cash Received in FY'2020

	CFDA/Program Number	Direct/Pass-Through Entity Identification or Award Number	Amount
PA C.U.R.E. 2019		4100083081	\$ 48,955
MCH Services Block Grant	93.994	4100083220	236,813
PACT: PA Consortium on TBI		573287	43,379
Examining Elderly TBI and Risk for Neurodegeneration		5788-COP-AEHN-7082	101,643

Part III – Reports on Internal Control and Compliance



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

To the Board of Trustees of the
Albert Einstein Healthcare Network

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Albert Einstein Healthcare Network and its subsidiaries, ("the Network"), which comprise the consolidated balance sheet as of June 30, 2020, and the related consolidated statements of operations and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 28, 2020

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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



Purpose of this Report

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

PricewaterhouseCoopers LLP

Philadelphia, PA
September 28, 2020



**Report of Independent Auditors on Compliance with Requirements
That Could Have a Direct and Material Effect on Each Major Program and on Internal
Control Over Compliance in Accordance with the Uniform Guidance, Commonwealth of
Pennsylvania, Department of Human Services Single Audit Supplement and the City of
Philadelphia Subrecipient Audit Guide**

To the Board of Trustees of the
Albert Einstein Healthcare Network

Report on Compliance for Each Major Federal, State, and City of Philadelphia Program

We have audited Albert Einstein Healthcare Network's ("the Network's") compliance with the types of compliance requirements described in the OMB Compliance Supplement, the Commonwealth of Pennsylvania, Department of Human Services Single Audit Supplement, and the City of Philadelphia Subrecipient Audit Guide, that could have a direct and material effect on each of the Network's major federal, state, and city programs for the year ended June 30, 2020. The Network's major federal, state, and city programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Network's major federal, state, and city programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the 2020 Compliance Supplement Addendum (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal, state, or city program occurred. An audit includes examining, on a test basis, evidence about the Network's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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



Opinion on Each Major Federal, State and City of Philadelphia Program

In our opinion, the Network complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal, state, and city programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the Network is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Network's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal, state, and city program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal, state, and city program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Network's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance, the Commonwealth of Pennsylvania, Department of Human Services Single Audit Supplement, and the City of Philadelphia Subrecipient Audit Guide. Accordingly, this report is not suitable for any other purpose.

PricewaterhouseCoopers LLP

Philadelphia, PA
May 18, 2021

**Part IV – City of Philadelphia Requirements
and Supplemental Schedule**

**AIDS Activities Coordinating Office (AACO)
Ambulatory/Outpatient Medical Care Services,
City of Philadelphia Contract #RW9925
Einstein Medical Center Philadelphia
Schedule of Contractual Performance
July 1, 2019 to June 30, 2020**

**Ambulatory/Outpatient
Medical Care Services
#RW9925**

Expenditures by program activity

Personnel services	\$ 169,760
Fringe benefits	<u>37,347</u>
Total personnel expenditures	207,107
Total supplies and other expense	<u>16,510</u>
Total direct expenditures	223,617
Indirect expenditures	<u>20,401</u>
Total actual expenditures	<u>\$ 244,018</u>
Net AACO Funded expenditures	<u>\$ 244,018</u>
Total Funding	<u>\$ 244,018</u>

City of Philadelphia, Department of Public Health
Office of Behavioral Health and Intellectual Disability Services
Schedule of Program Activity Invoice Summary by Contract Number
July 1, 2019 to June 30, 2020

Program Activity
Invoice Summary
XMH MR

Agency Emergency Mental Health Service of
Albert Einstein Medical Center
Approved

Period Covered
From July 1, 2019 to June 30, 2020

Program Activity	Eligible Expenditures					Net to Be Funded**
	PAC ID	Contract Number	Personnel	Facilities & Administrative	Total	
Crisis Response Center	*	17-20362-03	\$ 3,868,361	\$ 1,945,444	\$ 5,813,805	\$ 1,257,331
Long-term structured residence	*	17-20362-03	3,182,887	4,029,242	7,212,129	3,565,123
Total			<u>\$ 7,051,248</u>	<u>\$ 5,974,686</u>	<u>\$ 13,025,934</u>	<u>\$ 4,822,454</u>

* See Schedule of Adjustments on Summary of Program Activity by Program Activity Code, pages 59-62

** Represents maximum contract amount.

**City of Philadelphia, Department of Public Health
Office of Behavioral Health and Intellectual Disability Services
Schedule of Adjustments on Summary of Program Activities by
Program Activity Code
Albert Einstein Medical Center
July 1, 2019 to June 30, 2020**

Program Activity	Total Per Quarterly Invoice	Total Per Final Audit	Adjustments/ Differences
<u>Contract Number 17-20362-03</u>			
<u>PAC ID 0101-0228</u>			
Personnel	\$ 233,379	\$ 243,225	(9,846) A
Operating	4,044	27,173	(23,129) B
Administration	35,613	93,843	(58,230) B
Total expenses	<u>273,036</u>	<u>364,241</u>	<u>(91,205)</u>
Hospital funded	-	80,385	(80,385)
Hospital cash collections	-	-	-
Total revenue	<u>-</u>	<u>80,385</u>	<u>(80,385)</u>
Net eligible to be funded	<u>\$ 273,036</u>	<u>\$ 283,857</u>	<u>\$ (10,821)</u>
 <u>PAC ID 0199-0228</u>			
Personnel	\$ 50,820	\$ 52,920	(2,100) A
Operating	8,316	6,795	1,521 B
Administration	8,870	20,487	(11,617) B
Total expenses	<u>68,006</u>	<u>80,201</u>	<u>(12,196)</u>
Hospital funded	-	2,701	(2,701)
Hospital cash collections	-	-	-
Total revenue	<u>-</u>	<u>2,701</u>	<u>(2,701)</u>
Net eligible to be funded	<u>\$ 68,006</u>	<u>\$ 77,500</u>	<u>\$ (9,494)</u>

A. The employee benefits are estimated using the 2019 Medicare filed cost report.

B. The administrative costs are estimated using the 2019 Medicare filed cost report.

City of Philadelphia, Department of Public Health
Office of Behavioral Health and Intellectual Disability Services
Schedule of Adjustments on Summary of Program Activities by
Program Activity Code, continued
Albert Einstein Medical Center
July 1, 2019 to June 30, 2020

Program Activity	Total Per Quarterly Invoice	Total Per Final Audit	Adjustments/ Differences
<u>Contract Number 17-20362-03</u>			
<u>PAC ID 0100-1605</u>			
Personnel	\$ 3,389,043	\$ 3,182,887	\$ 206,156 A
Operating	2,277,429	3,080,757	(803,328) B
Administration	1,545,658	948,485	597,173 B
Total expenses	<u>7,212,130</u>	<u>7,212,129</u>	<u>1</u>
Hospital funded	3,488,387	3,488,386	1
Hospital cash collections	-	-	-
Other revenue	<u>158,620</u>	<u>158,620</u>	<u>-</u>
Total revenue	<u>3,647,007</u>	<u>3,647,006</u>	<u>1</u>
Net eligible to be funded	<u>\$ 3,565,123</u>	<u>\$ 3,565,123</u>	<u>\$ -</u>

A. The employee benefits are estimated using the 2019 Medicare filed cost report.

B. The administrative costs are estimated using the 2019 Medicare filed cost report.

City of Philadelphia, Department of Public Health
Office of Behavioral Health and Intellectual Disability Services
Schedule of Adjustments on Summary of Program Activities by
Program Activity Code, continued
Albert Einstein Medical Center
July 1, 2019 to June 30, 2020

Program Activity	Total Per Quarterly Invoice	Total Per Final Audit	Adjustments/ Differences
<u>Contract Number 17-20362-03</u>			
<u>PAC ID 0100-1031</u>			
Personnel	\$ 3,604,267	\$ 3,572,216	\$ 32,051 A
Operating	398,162	417,445	(19,283) B
Administration	1,533,061	1,379,701	153,360 B
Total expenses	<u>5,535,490</u>	<u>5,369,362</u>	<u>166,128</u>
Hospital funded	2,970,766	2,804,638	166,128
Hospital cash collections	1,668,750	1,668,750	-
Total revenue	<u>4,639,516</u>	<u>4,473,388</u>	<u>166,128</u>
Net eligible to be funded	<u>\$ 895,974</u>	<u>\$ 895,974</u>	<u>\$ (0)</u>

A. The employee benefits are estimated using the 2019 Medicare filed cost report.

B. The administrative costs are estimated using the 2019 Medicare filed cost report.

**City of Philadelphia, Department of Public Health
Office of Behavior Health and Intellectual Disability Services
Schedule of Program Activity Invoice Summary by Program Activity Code
July 1, 2019 to June 30, 2020**

**Program Activity
Invoice Summary
XMH MR**

**Agency Emergency Mental Health Service of
Albert Einstein Medical Center
Approved**

**Period Covered

From July 1, 2019 to June 30, 2020**

Program Activity	Eligible Expenditures					
	PAC ID	Contract Number	Personnel	Facilities & Administrative	Total	Net to Be Funded*
Emergency Mental Health-Adult-Crisis Response Center	0100-1031	17-20362-03	\$ 3,572,216	\$ 1,797,146	\$ 5,369,362	\$ 895,974
Community Service -Student Assistance Program	0199-0228	17-20362-03	52,920	27,282	80,201	77,500
Community Service -Student Assistance Program	0101-0228	17-20362-03	243,225	121,017	364,242	283,857
Long Term Structured Residence	0100-1605	17-20362-03	3,182,887	4,029,242	7,212,129	3,565,123
Total			<u>\$ 7,051,248</u>	<u>\$ 5,974,686</u>	<u>\$ 13,025,934</u>	<u>\$ 4,822,454</u>

* Represents maximum contract amount



Independent Accountant's Report on Compliance with Specified Indirect Cost Allocation Requirements

To the Board of Trustees of the
Albert Einstein Healthcare Network

We have examined Albert Einstein Healthcare Network's ("the Network's") compliance with allocating indirect costs reflected in the City of Philadelphia, Department Behavioral Health and Intellectual disAbility Services program activity summary as required by the Commonwealth of Pennsylvania, Department of Human Services, Section 4300.94 of the Title 4300 Regulations during the year ended June 30, 2020. Management of the Network is responsible for the Network's compliance with the specified requirements. Our responsibility is to express an opinion on the Network's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Network complies, in all material respects, with the specified requirements. The nature, timing and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the Network's compliance with specified requirements.

In our opinion, the Network complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2020.

This report is intended solely for the information and use of the Network's Board of Trustees, audit committee, management, and the City of Philadelphia, Department Behavioral Health and Intellectual disAbility Services and is not intended to be and should not be used by anyone other than these specified parties.

PricewaterhouseCoopers LLP

Philadelphia, PA
May 18, 2021



Independent Accountant's Report on Cost Allocation (For Upcoming Budget Year)

To the Board of Trustees of the
Albert Einstein Healthcare Network

We have performed the procedures enumerated below with the respect to the administrative costs distribution included in the Line Item Budget for the year ended June 30, 2021 submitted by Albert Einstein Healthcare Network ("the Network") to the City of Philadelphia, Department of Behavioral Health and Intellectual disAbility Services, solely to assist in evaluating compliance with the requirements of the Commonwealth of Pennsylvania, Department of Public Welfare, Section 4300.94 of Title 4300 for the year ended June 30, 2021. Management is responsible for the Network's compliance with those requirements. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and results thereof are as follows:

- a. We reviewed a schedule contained within the 2021 Line Item Budget which reflected the allocation factors utilized in distributing administrative costs.
- b. We confirmed our understanding of the method of allocating administrative costs through a review of supporting work papers and by discussions with management responsible for allocation factors.
- c. We compared the Network's method of allocating costs to those requirements as specified in Section 4300.94 of the Title 4300 Regulations Related Methods for Allocating Indirect Costs in order to determine whether the cost allocation is in compliance with those regulations.
- d. We compared the allocation methods used between the current fiscal year and prior fiscal year to determine consistency between years. The cost allocation method is based upon direct costs for each program. Actual costs are tracked and totaled. The program's percentage of direct costs is calculated. Indirect costs are allocated to each program based on these percentages.

The Commonwealth of Pennsylvania, Department of Human Services, Section 4300.94 of Title 4300 Regulations state "The overall objective of the allocation process is to distribute the indirect costs of the Agency to its various services or cost categories in reasonable proportion with the benefits provided to these services or cost categories." The Regulations require that the method used result in a fair and equitable distribution of costs which shall be in direct relation to actual benefits accruing to the services to which costs are charged.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the Network's compliance with the requirements enumerated above.



Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended for the information of the Network's Board of Trustees, audit committee, management, and the City of Philadelphia, Department of Behavioral Health and Intellectual disAbility Services and is not intended to be and should not be used by anyone other than these specified parties.

PricewaterhouseCoopers LLP

Philadelphia, PA
May 18, 2021

Part V – Schedule of Findings and Questioned Costs

Albert Einstein Healthcare Network
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

(1) Part I – Summary of Auditor's Results

Financial Statements

- (i) Type of auditor's report issued: Unmodified
- (ii) Internal control over financial reporting:
 Material weakness(es) identified? yes X no
 Significant deficiency(ies) identified not
 considered to be material weaknesses? yes X none reported
- (iii) Noncompliance material to financial statements
 noted? yes X no

Federal Awards

- (iv) Internal control over major programs:
 Material weakness(es) identified? yes X no
 Significant deficiency(ies) identified that are not
 considered to be material weaknesses? yes X none reported
- (v) Type of auditor's report issued on compliance for
 major programs: Unmodified
- (vi) Any audit findings disclosed that are required to
 be reported in accordance with Uniform
 Guidance? yes X no
- (vii) Identification of major programs:

CFDA Number(s)

93.926
 93.994
 10.561

Name of Federal Program or Cluster

Healthy Start Initiative
 MCH Services Block Grant
 Nutrition and Education Program

- (viii) Dollar threshold used to distinguish between
 Type A and Type B programs: \$750,000
- (ix) Auditee qualified as low-risk auditee? X yes no

Albert Einstein Healthcare Network
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

State Awards

- (iv) Internal control over major programs:
Material weakness(es) identified? ☐ yes ☒ no
Significant deficiency(ies) identified that are not considered
To be material weaknesses? ☐ yes ☒ none reported
- (v) Type of auditor's report issued on compliance for major programs: Unmodified
- (vi) Any audit findings disclosed that are required to be reported
in accordance with Government Auditing Standards and
Commonwealth of Pennsylvania Department of Human Services
Single Audit Supplement? ☐ yes ☒ no
- (vii) Identification of major programs:

Program Number(s)

Name of State Program or Cluster

PAC CD - 0100-1605
PAC CD - 0100-1031

Long Term Structured Residential
Emergency Mental Health-Adult-CRC

- (viii) Dollar threshold used to distinguish between Type A and B programs: \$750,000
- (ix) Auditee qualified as low-risk auditee? ☒ yes ☐ no

Albert Einstein Healthcare Network
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

City Awards

- (iv) Internal control over major programs:
Material weakness(es) identified? ☐ yes ☒ no
Significant deficiency(ies) identified that are not
considered to be material weaknesses? ☐ yes ☒ none reported
- (v) Type of auditor's report issued on compliance for
major programs: Unmodified
- (vi) Any audit findings disclosed that are required to be
reported in accordance with Uniform Guidance and
the City of Philadelphia Subrecipient Audit Guide? ☐ yes ☒ no
- (vii) Identification of major programs:

Program Number(s)

Name of City Program or Cluster

*Note: City awards with State pass through funding were
selected as major programs. Refer to the State Awards section
of the Schedule of Findings and Questioned Costs for City
awarded major programs with State pass through funding.*

- (viii) Dollar threshold used to distinguish between Type A
and Type B programs: \$750,000
- (ix) Auditee qualified as low-risk auditee? ☒ yes ☐ no

Part II – Financial Statement Findings

None noted

Part III – Federal, State and City Award Findings and Questioned Costs

None noted

Albert Einstein Healthcare Network
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2019

Prior Year Audit Findings

There were no Federal, State or City findings or questions costs from prior audits that require an update in this report.