GEISINGER

Consolidated Financial Statements and
Information on Federal Awards

December 31, 2021 and 2020

(With Independent Auditors' Reports Thereon)

GEISINGER

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KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

The Board of Directors
Geisinger Health:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Geisinger Health and its subsidiaries (collectively referred to as "Geisinger"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of operations, changes in net assets, and cash flows for the year ended December 31, 2021, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Geisinger as of December 31, 2021 and 2020, and the results of its operations, changes in its net assets, and its cash flows for the year ended December 31, 2021, in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Geisinger and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The accompanying consolidated statements of operations, changes in net assets, and cash flows for the year ended December 31, 2020 were not audited, reviewed, or compiled by us and, accordingly, we do not express an opinion or any other form of assurance on them.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Geisinger's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Geisinger's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Geisinger's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary schedule of financial responsibility data as of and for the year ended December 31, 2021 is presented for purposes of additional analysis as required by the US Department of Education and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

KPMG

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2022, on our consideration of Geisinger's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Geisinger's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Geisinger's internal control over financial reporting and compliance.

KPMG LLP

New York, New York
March 2, 2022

Geisinger
Consolidated Balance Sheets
December 31, 2021 and 2020

(dollars in thousands)		2021	2020
Assets			
Current assets			
Cash and cash equivalents	$	160,894	728,803
Investments		954,065	499,156
Accounts receivable		626,095	586,046
Inventories and other		256,730	216,192
Total current assets		1,997,784	2,030,197
Investments		3,639,473	3,407,072
Property and equipment, net		1,725,013	1,547,135
Right of use assets		67,381	65,205
Other assets, net		528,331	513,991
Total assets	$	7,957,982	7,563,600
Liabilities and Net Assets			
Current liabilities			
Current installments of long-term debt	$	71,524	20,966
Accounts payable		96,278	81,519
Medical claims payable		143,223	172,205
CMS advances		184,808	313,605
Accrued expenses and other		617,478	635,311
Total current liabilities		1,113,311	1,223,606
Long-term debt, net of current installments		1,711,128	1,783,212
Operating lease liabilities		52,571	51,918
Other liabilities and contingencies		573,389	592,425
Total liabilities		3,450,399	3,651,161
Net assets			
Without donor restrictions		4,306,970	3,737,069
With donor restrictions		182,353	169,403
Noncontrolling interest		18,260	5,967
Total net assets		4,507,583	3,912,439
Total liabilities and net assets	$	7,957,982	7,563,600

See accompanying notes to consolidated financial statements.

Geisinger
Consolidated Statements of Operations
Years Ended December 31, 2021 and 2020

(dollars in thousands)		2021	2020 (Unaudited)
Net assets without donor restrictions			
Revenues			
Net patient service revenue	$	2,861,584	2,877,972
Premium revenue		3,234,598	3,174,680
Other revenue		330,007	379,344
		6,426,189	6,431,996
Expenses			
Salaries and benefits		2,579,915	2,584,833
Medical claims		1,593,674	1,554,237
Supplies		1,085,132	1,017,901
Purchased services		534,845	486,803
Depreciation and amortization		216,801	215,261
Other		343,186	445,218
		6,353,553	6,304,253
Operating income before loss on divestiture and other asset impairment loss		72,636	127,743
Loss on divestiture and other asset impairment loss		—	(55,709)
Operating income		72,636	72,034
Investing and financing activities			
Investment earnings, net		529,491	348,368
Interest expense		(63,542)	(59,772)
Unrealized gain (loss) on derivatives		7,289	(2,931)
(Loss) gain on extinguishment of debt		(979)	2,154
Gains from investing and financing activities		472,259	287,819
Other non-service periodic pension income		2,379	1,288
Excess of revenues over expenses	$	547,274	361,141

See accompanying notes to consolidated financial statements.

Geisinger

Consolidated Statements of Changes in Net Assets
Years Ended December 31, 2021 and 2020

(dollars in thousands)		2021	2020 (Unaudited)
Excess of revenues over expenses	$	547,274	361,141
Other changes in net assets without donor restrictions			
Deficiency of revenues over expenses from discontinued operations		—	(18,993)
Loss on discontinued operations		—	(912,709)
Total loss from discontinued operations		—	(931,702)
Unrealized gain (loss) on derivatives		5,259	(4,695)
Pension liability adjustments		8,450	(112,099)
Net assets released from restriction for capital purchases		8,707	5,751
Net contributions from noncontrolling interest		12,504	4,983
Other		—	(37)
Increase (decrease) in net assets without donor restrictions		582,194	(676,658)
Changes in net assets with donor restrictions			
Donor contributions		6,938	12,251
Investment earnings, net		20,039	11,564
Net assets released from restriction to fund operations		(5,320)	(10,179)
Net assets released from restriction for capital purchases		(8,707)	(5,751)
Distribution of restricted funds associated with			
Discontinued operations		—	(8,695)
Divestiture		—	(2,939)
Increase (decrease) in net assets with donor restrictions		12,950	(3,749)
Increase (decrease) in net assets		595,144	(680,407)
Net assets			
Beginning of year		3,912,439	4,592,846
End of year	$	4,507,583	3,912,439

See accompanying notes to consolidated financial statements.

Geisinger
Consolidated Statements of Cash Flows
Years Ended December 31, 2021 and 2020

(dollars in thousands)	2021	2020 (Unaudited)
Cash flows from operating activities		
Increase (decrease) in net assets	$ 595,144	(680,407)
(Increase) decrease in net assets attributable to noncontrolling interest	(12,293)	2,179
Increase (decrease) in net assets attributable to Geisinger	582,851	(678,228)
Discontinued operations	—	939,617
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	206,001	208,265
Unrealized (gain) loss on derivatives	(12,548)	7,626
Investment earnings, net	(549,530)	(359,932)
Restricted contributions	(6,938)	(12,251)
Noncontrolling interest	(211)	(7,162)
Pension liability adjustments	(8,450)	112,099
Loss on divestiture and other asset impairment loss	—	55,709
Loss (gain) on extinguishment of debt	979	(2,154)
Net change in operating assets and liabilities		
Accounts receivable	(40,049)	(10,254)
Inventories and other	(40,538)	(17,836)
Accounts payable	14,759	14,518
Medical claims payable	(28,982)	11,586
CMS advance	(128,797)	313,605
Accrued expenses and other	(34,416)	(52,457)
Other assets and liabilities	(18,136)	149,012
Net cash (used in) provided by operating activities of continuing operations	(64,005)	671,763
Net cash provided by operating activities of discontinued operations	—	75,331
Net cash (used in) provided by operating activities	(64,005)	747,094
Cash flows from investing activities		
Purchases of property and equipment	(367,898)	(294,853)
Purchases of investments	(2,918,358)	(2,217,026)
Sales of investments	2,780,578	2,028,515
Cash received from discontinued operations	—	59,722
Investment in joint ventures	3,415	(14,692)
Net cash used in investing activities of continuing operations	(502,263)	(438,334)
Net cash provided by investing activities of discontinued operations	—	2,517
Net cash used in investing activities	(502,263)	(435,817)
Cash flows from financing activities		
Proceeds from issuance of debt	113,580	878,903
Repayment of debt	(134,663)	(600,856)
Proceeds from line of credit	—	450,000
Repayment of line of credit	—	(450,000)
Deferred bond issue costs	—	(4,313)
Net proceeds from noncontrolling interest	12,504	2,741
Proceeds from restricted contributions	6,938	11,706
Net cash (used in) provided by financing activities of continuing operations	(1,641)	288,181
Net cash provided by financing activities of discontinued operations	—	29,500
Net cash (used in) provided by financing activities	(1,641)	317,681
Change in cash and cash equivalents of discontinued operations	—	(107,348)
(Decrease) increase in cash and cash equivalents	(567,909)	521,610
Cash and cash equivalents		
Beginning of period	728,803	207,193
End of period	$ 160,894	728,803

See accompanying notes to consolidated financial statements.

December 31, 2021 and 2020 (dollars in thousands unless otherwise noted)

(1) Organization

As of December 31, 2021, Geisinger Health and its subsidiaries (collectively referred to as “Geisinger”) comprise a physician-led, integrated health services organization that has as its main components: (i) an array of health services providers, including six wholly-controlled acute-care hospitals with multiple campuses, a joint venture hospital and a drug and alcohol treatment facility; (ii) multispecialty physician group practices; (iii) insurance operations, including a licensed health maintenance organization and a non-licensed, risk assuming Preferred Provider Organization; and (iv) a community-based medical college and degree-granting institution. Geisinger operates in 46 of Pennsylvania’s 67 counties, with a significant presence in central and northeastern Pennsylvania.

Geisinger Health serves as the corporate parent and exercises control over Geisinger’s affiliated entities subject to corporate, legal, and/or regulatory limitations. Geisinger Health and subsidiary corporate entities comprising substantially all financial and operational activity are tax-exempt pursuant to Sections 501(c)(2), 501(c)(3), or 501(c)(4) of the Internal Revenue Code.

The accompanying consolidated financial statements include the accounts of Geisinger Health and its subsidiaries. All significant intercompany transactions have been eliminated.

(2) Organizational Changes

Pursuant to a restructuring agreement (the “Restructuring Agreement”), effective October 31, 2020, Geisinger separated from and no longer serves as the sole member of AtlantiCare Health System, Inc. or its affiliates (collectively referred to as “AtlantiCare”). The revenues and expenses of AtlantiCare have been segregated and reported as deficiency of revenues over expenses of discontinued operations in the Consolidated Statements of Changes in Net Assets for the year ended December 31, 2020.

Total loss from discontinued operations for the ten-month period ended October 31, 2020, the date of separation, is comprised of the following components:

Revenues		
Net patient service revenue (unaudited)	$	685,225
Other revenue (unaudited)		80,223
		765,448
Expenses		
Salaries and benefits (unaudited)		468,207
Supplies and other (unaudited)		250,830
Depreciation and amortization (unaudited)		44,854
		763,891
Operating income (unaudited)		1,557
Losses from investing and financing activities (unaudited)		(20,550)
Deficiency of revenues over expenses (unaudited)		(18,993)
Loss on discontinued operations		(912,709)
Total loss from discontinued operations (unaudited)	$	(931,702)

Net assets with donor restrictions totaling $9 million were distributed as a result of this transaction. Net cash provided by investing activities of discontinued operations in the Consolidated Statement of Cash Flows for the year ended December 31, 2020 includes capital purchases from discontinued operations totaling $42 million.

Pursuant to a member substitution agreement (the “Membership Substitution Agreement”) effective November 1, 2020, Geisinger transferred ownership of Holy Spirit Health System (“HSHS”) and all HSHS affiliated entities to Penn State Health (“PSH”). PSH replaced Geisinger Health as the sole corporate member of HSHS.

Certain assets and liabilities, primarily consisting of property and equipment, were transferred to PSH without consideration resulting in recognition of a loss on divestiture and other asset impairment loss totaling $56 million in the Consolidated Statement of Operations for the year ended December 31, 2020. Additionally, net assets with donor restrictions totaling $3 million were distributed as a result of this transaction.

(3) Change of Reporting Year End

Geisinger changed from a June 30 fiscal year end to a calendar year end for reporting purposes effective December 31, 2020. Certain prior-period comparative consolidated financial statements and related footnotes presented herein are unaudited and are labeled as such.

(4) Summary of Significant Accounting Policies

These consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The following is a summary of the significant accounting and reporting policies used in preparing the consolidated financial statements.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments purchased with an initial maturity of three months or less. Cash equivalents held in investment custody accounts are reported as investments.

Investments and Investment Income

Investments are measured at fair value. Interest income, dividends, and realized and unrealized gains and losses, net of investment-related expenses, on investments without donor restrictions are recorded as investment earnings, net within investing and financing activities in the Consolidated Statements of Operations. Restricted interest income, dividends, and realized and unrealized gains and losses on trusts held as donor restricted endowment funds are recorded as investment earnings, net in changes in net assets with donor restrictions in the Consolidated Statements of Changes in Net Assets.

Geisinger’s alternative investments, which include private equity and hedge funds, are reported at fair value, as estimated and reported by general partners, based upon the underlying net asset value (“NAV”) of the fund or partnership as a practical expedient. Adjustment from NAV is required when Geisinger expects to sell the investment at a value other than NAV. Interest income, dividends, and realized and unrealized gains and losses from these investments are recorded within investment earnings, net in the Consolidated Statements of Operations.

Market risk exists to the extent that the values of Geisinger’s financial assets fluctuate as a result of changes in market prices. Changes in market prices can arise from factors specific to individual securities or their respective issuers or factors affecting all securities traded in a particular market. Relevant factors for Geisinger are both volatility and liquidity of specific securities and markets in which Geisinger holds investments. Geisinger employs the services of professional investment managers and has established investment guidelines to ensure that the portfolio is diversified and exposure to market risk is managed. Due to the level of risk associated with investments and the level of uncertainty related to changes in their value, it is at least reasonably possible that changes in market valuations in the near term could materially affect account balances and the amounts reported in the consolidated financial statements.

Amounts necessary to meet current liabilities have been reclassified to current investments in the Consolidated Balance Sheets.

Investments in Joint Ventures
Geisinger has invested in joint ventures primarily for the purpose of promoting health and fulfilling health and wellness needs in the communities it serves. Generally, when ownership exceeds 50 percent, Geisinger consolidates the joint venture's financial statements. When ownership is 50 percent or less and Geisinger exercises substantial influence over the investee's operating and financial policies, the equity method of accounting is applied. Under the equity method of accounting, the investment is recorded at cost and adjusted for changes in the investee's equity. When Geisinger does not exercise substantial influence, the joint venture is recognized at its initial cost or estimated fair value and evaluated for impairment on an annual basis. Geisinger's investment in joint ventures, included in other assets, net in the Consolidated Balance Sheets, totaled $69 million and $68 million at December 31, 2021 and 2020, respectively.

Inventories
Inventories are stated at the lower of cost or market. Cost is determined using the average cost method.

Property and Equipment
Property and equipment and construction in progress are recorded at the lower of cost or fair value, if impaired. Depreciation is recorded using the straight-line method over the estimated useful lives of the respective assets. Leasehold improvements are amortized over the shorter of their useful life or the term of the related lease and renewal periods using the straight-line method. Repairs and maintenance are expensed as incurred. Leased assets and software licenses are amortized over the shorter of their useful life or the term of the lease or license agreement using the straight-line method. The cost of assets and the related accumulated depreciation are removed from the Consolidated Balance Sheets upon retirement or disposition and any gain or loss is reported in other expenses in the Consolidated Statements of Operations.

Geisinger recognizes an impairment loss if the carrying amount of a long-lived asset is not recoverable from its future undiscounted cash flows and measures any impairment loss as the difference between the carrying amount and the fair value of the asset.

Leases
Geisinger determines if an arrangement is or contains a lease at contract inception and recognizes an asset and a lease liability for leases at the commencement date.

Contract terms determine whether a lease will be accounted for as an operating or finance lease.

For operating leases, the lease liability is measured at the present value of the unpaid lease payments. The right of use ("ROU") asset is subsequently measured throughout the lease term at the carrying amount of the lease liability, plus initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received. Lease expense is recognized on a straight-line basis over the lease term.

For finance leases, the lease liability is initially measured in the same manner as operating leases and is subsequently measured at amortized cost using the effective-interest method. The asset is subsequently amortized using the straight-line method from the lease commencement date to the earlier of the end of its

(Continued)

useful life or lease term, unless the lease transfers ownership to Geisinger. Amortization of the asset and interest expense of the lease liability are recognized and presented separately.

Geisinger has elected not to recognize ROU assets and lease liabilities for short-term leases that have an initial term of 12 months or less and recognizes the lease payments associated with its short-term leases as an expense on a straight-line basis over the lease term.

Geisinger uses the initial lease term to determine the ROU asset and the lease liability at the commencement date and for the amortization period of the ROU asset. Geisinger monitors inputs that require reassessment including the lease term. If needed, an adjustment is made to the ROU asset's carrying amount unless doing so would reduce the carrying amount of the ROU asset to less than zero. In that case, the adjustment amount would be recorded in profit or loss.

Several key estimates and judgments are used to determine the ROU assets and operating lease liabilities including the discount rate used to discount the unpaid lease payments to present value, lease term and lease payments. The lessee is required to discount its unpaid lease payments using the interest rate implicit in the lease or, if that rate cannot be readily determined, its incremental borrowing rate. Generally, Geisinger cannot determine the interest rate implicit in the lease because it does not have access to the lessor's estimated residual value or the amount of the lessor's deferred initial direct costs. Therefore, Geisinger uses its incremental borrowing rate for purposes of discounting its leases.

The incremental borrowing rate is the rate of interest Geisinger would have to pay to borrow an amount equal to the lease payments under similar terms and conditions.

Contribution and Grant Revenue and Pledges Receivable

Unconditional donor promises to give cash, marketable securities, and other assets are reported at fair value and discounted to present value at the date the promise is received to the extent estimated to be collectible. Conditional donor promises to give and indications of intentions to give are not recognized until all donor-imposed conditions are met. Pledges received with donor restrictions that limit the use of the donated assets are reported as donor contributions in net assets with donor restrictions in the Consolidated Statements of Changes in Net Assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are transferred to net assets without donor restrictions and reported in the Consolidated Statements of Changes in Net Assets as net assets released from restriction to fund operations and within other revenue reported in the Consolidated Statements of Operations. Donor contributions restricted for capital purchases are released from restriction when the asset is placed in service.

Geisinger has elected to report restricted contributions and grants whose restrictions are met in the same reporting period as other revenue without donor restrictions in the Consolidated Statements of Operations.

Pledges receivable are reported in other assets, net in the Consolidated Balance Sheets.

Goodwill

Goodwill represents the excess of the purchase price over the estimated fair value of the net assets of acquired entities. Goodwill is included in other assets, net in the Consolidated Balance Sheets and totaled $53 million and $52 million as of December 31, 2021 and 2020, respectively.

Geisinger does not amortize goodwill but evaluates the amounts for impairment annually and as events or changes in circumstances indicate that the value of the asset may be impaired. Impairment testing consists of internal qualitative assessments and considers other publicly available market information. If the carrying amount of the goodwill exceeds the estimated fair value, an impairment charge to current operations is recorded to reduce the carrying amount to estimated fair value. As of December 31, 2021 and 2020, there was no indication of impairment of goodwill.

Accrued Medical Claims
Geisinger Health Plan ("GHP"), Geisinger Indemnity Insurance Corporation ("GIIC"), and Geisinger Quality Options ("GQO") are at risk for certain medical costs of their members up to reinsurance limits. Accrued medical claims and related expenses (hospitalization and other medical services) are recorded in medical claims payable in the Consolidated Balance Sheets and include amounts based on management's estimate for claims, which are expected to be paid after the end of the period for services provided to members during the policy period. The estimate of costs incurred for obligations to provide services is based on historical data, current membership, health service utilization statistics, and other related information. These accruals are continually monitored and reviewed and, as settlements are made or accruals adjusted, differences are reflected in current operations. Changes in assumptions for medical costs as well as changes in actual experience could cause these estimates to change in the near term.

Derivative Instruments
Fixed payor interest rate swap agreements are used by Geisinger to manage interest rate exposures and to hedge the changes in cash flows on variable rate debt. Derivative financial instruments involve, to a varying degree, elements of market and credit risk. The market risk associated with these instruments resulting from interest rate movements is expected to offset the market risk of the liabilities being hedged. The counterparties to the agreements relating to the interest rate swaps and option are major financial institutions with high credit ratings. Geisinger continually monitors the credit ratings of the counterparties and does not believe that there is significant risk of nonperformance by these counterparties.

All derivatives are reported in the Consolidated Balance Sheets at fair value, including those that are designated and qualify as cash flow hedging instruments. The gain or loss on the effective portion of the derivative is reported as an unrealized gain or loss on derivatives in other changes in net assets without donor restrictions in the Consolidated Statements of Changes in Net Assets. The gain or loss on the ineffective portion of the derivative and changes in value of derivatives not designated as hedging instruments are recognized as an unrealized gain or loss on derivatives under investing and financing activities in the Consolidated Statements of Operations.

Net Asset Classification
Net assets without donor restrictions include net assets that are not subject to donor-imposed restrictions.

Net assets with donor restrictions include net assets whose use is subject to donor-imposed restrictions to support operations or for capital purchases that will be met either by the actions of Geisinger or the passage of time and net assets that have been restricted by donors to be maintained by Geisinger, or a designated trustee, in perpetuity.

Net assets restricted to be maintained in perpetuity are recorded at the original fair value of gifts donated to Geisinger through endowments. Unless otherwise directed by the donor, gifts received for endowments are invested in accordance with Geisinger's investment policy. From time to time, the fair value of investments associated with individual donor-restricted endowments may fall below the original gift amount. Deficiencies of this nature, which are referred to as endowments in a deficit position, are reported as investment earnings, net with donor restrictions in the Consolidated Statements of Changes in Net Assets.

Geisinger annually appropriates a portion of each endowment, 4.25% as of December 31, 2021 and 2020, for spending in accordance with the donor's intent. In order to preserve the real value of a donor's gift and to sustain funding consistent with donor intent, the annual appropriation rate is set to strike a reasonable balance between long-term objectives of preserving and growing each endowment for the future and providing stable, annual appropriations. The difference between the endowment original value and the market value of the endowment is recorded as investment earnings, net within net assets with donor restrictions.

Geisinger does not maintain any board designated endowments.

Net Patient Service Revenue and Accounts Receivable
Net patient service revenue is reported at the amount that reflects the consideration to which Geisinger expects to be entitled in exchange for providing healthcare services. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by Geisinger. Revenue for performance obligations satisfied at a point in time is recognized when services are provided and completed. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected or actual charges. Geisinger believes that this method provides a reasonable depiction of the transfer of services over the term of the performance obligation. Geisinger measures the performance obligation from start of services to the point when it has completed services for that patient, which is generally at the time of discharge. This span of services is considered to be a single performance obligation.

Geisinger records net patient service revenue based on standard charges for services provided, reduced by explicit contractual adjustments provided to third-party payors and implicit price concessions provided to patients as reductions from established billing rates. Geisinger determines its estimates of explicit and implicit price concessions based on historical data which considers experience, market conditions, and other factors.

Explicit and implicit price concessions to net patient service revenue are recorded at the time the performance obligations are satisfied. Substantially all changes to these concessions, as a result of subsequent reassessment, are recognized in the period the change is identified as adjustments to net patient service revenue. Amounts recognized due to changes in estimates of explicit and implicit price concessions for the years ended December 31, 2021 and 2020 are not significant. Subsequent changes that are determined to be a result of an adverse change in the patient's or payor's ability to pay and are material are recorded as bad debt expense. No bad debt expense was recorded for the years ended December 31, 2021 and 2020 related to net patient service revenue.

Charity Care
Geisinger provides services to all patients regardless of ability to pay. In accordance with Geisinger's policy, a patient is classified as a charity patient based on income eligibility criteria. Geisinger also provides free care to certain other patients that are determined to be in need. The charges for charity care provided by Geisinger are entirely offset by the related implicit price concessions and therefore, are not recognized as net patient service revenue.

Additionally, Geisinger sponsors other charitable programs that provide substantial benefit to the broader community. Such programs include services to the needy and elderly population requiring special support, various clinical outreach programs, and health education and promotion.

Premium Revenue and Accounts Receivable
Premium revenue is generally received in advance and is recognized as revenue ratably over the period for which the enrolled member is entitled to healthcare services. Premiums billed and collected in advance are recorded as unearned premiums and are included in accrued expenses and other in the Consolidated

Balance Sheets. Unearned premiums totaled $4 million and $8 million at December 31, 2021 and 2020, respectively.

Geisinger's insurance operations are subject to the Affordable Care Act ("ACA"). The ACA creates state health insurance exchanges, which provide individuals and small businesses with access to affordable and quality health insurance. GHP and GQO participate in the Pennsylvania exchange. Risk adjustment is a permanent program under the ACA which aims to transfer funds from qualified individual and small group insurance plans with below average risk scores to plans with above average risk scores in the same market. Risk adjustment is complex and involves significant estimation and uncertainties with respect to both recorded amounts and timing of collections or payments. Accounts receivable, net includes expected collections of $12 million and $17 million related to this program in the Consolidated Balance Sheets at December 31, 2021 and 2020, respectively.

Other Revenue
Geisinger's other revenue consists of contracts that vary in duration and in performance obligations. Revenues are recognized when the performance obligations identified within the individual contracts are satisfied and collections can be reasonably assured. Certain revenue streams such as contributions, federal and state grants, and pledges, are reported as other revenue in the Consolidated Statements of Operations.

Excess of Revenues over Expenses
The excess of revenues over expenses (the performance indicator), consistent with industry practice, includes all revenues, expenses, and net gains and losses for the reporting period classified as without donor restrictions. Total loss from discontinued operations, net assets released from restriction for capital purchases, certain pension liability adjustments, unrealized gains (losses) on the effective portion of derivatives and net contributions from noncontrolling interest are reported outside the performance indicator.

Use of Estimates
The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include implicit and explicit price concessions for revenue transactions, depreciation, accrued medical claims, medical legal liabilities, workers' compensation liabilities, derivatives, alternative investments, ACA risk adjustment assets (liabilities), loss on discontinued operations, asset impairment losses, ROU assets and operating lease liabilities, and expected rate of return on investments used to value defined-benefit pension liabilities.

Discontinued Operations
Disposals that represent changes in strategic direction and have a major effect on Geisinger's operations and financial results are reported as discontinued operations. Revenues and expenses directly related to the discontinued operations, including adjustments to the values of assets and liabilities are reported as discontinued operations, a component of other changes in net assets without donor restrictions in the Consolidated Statements of Changes in Net Assets.

COVID-19 Pandemic
The 2019 Novel Coronavirus Disease (COVID-19 or the "Pandemic") is a respiratory disease caused by a coronavirus (SARS-CoV2). COVID-19 has led to legislation and regulatory changes specifically impacting the healthcare industry. In response to the disruption caused by the Pandemic, the Center for Medicare and Medicaid Services ("CMS") announced a number of temporary regulatory waivers and new rules

applicable to the healthcare industry. CMS has clarified rules for hospitals to furnish inpatient services under-arrangement with other providers and when hospitals can furnish outpatient services in the patient's home or other expansion site, establishing processes for hospital outpatient departments to seek exceptions from lower payments when temporarily relocating due to the COVID-19 public health emergency. The rules also expanded physician supervision flexibilities for inpatient or outpatient hospital services, expanded services that may be furnished through telehealth, and increased the types of practitioners eligible to furnish services through telehealth. The rules also expanded coverage of ambulance transportation services to additional sites. CMS also issued national "blanket" Section 1135 waivers for certain hospital conditions of participation, provider-based rules, and the physician self-referral law. These waivers enable, among other outcomes, the rapid expansion of hospital services provided on and off campus clinical and nonclinical space, including through partnerships with other entities; other facility types, such as ambulatory surgical centers, to become hospitals governed by more flexible conditions of participation; and streamlined enrollment and cost reporting requirements, among other things. It is not possible to predict the short-term and long-term effects of these and other waivers and rule changes in response to the Pandemic on the healthcare industry and Geisinger specifically.

On March 27, 2020, Congress passed the Coronavirus Aid, Relief, and Economic Security ("CARES") Act which provided for economic relief impacting all sectors of the economy, including the healthcare industry. Funding allocated to healthcare providers is intended to help compensate for incremental expenses incurred or revenue losses attributable to the COVID-19 crisis. The U.S. Department of Health and Human Services ("HHS") has established terms and conditions that include a certification from the provider that the funds "will only be used to prevent, prepare for, and respond to coronavirus" and that the funding will reimburse the recipient "only for healthcare related to expenses or lost revenues that are attributable to coronavirus."

Other relief provided for acute care hospitals in the CARES Act includes the temporary elimination of the 2% reduction to Medicare payments through sequestration, a temporary 20% increase to the inpatient Prospective Payment System Diagnosis Related Group ("DRG") weight for patients diagnosed with COVID-19 during the public health emergency, and an expansion of the CMS accelerated and advanced payment program.

On March 11, 2021, the American Rescue Plan Act of 2021 ("ARP Act") was signed into law. The ARP Act included new funding for rural hospitals and health care providers for COVID-19 relief, improvements to Medicare wage index and provided additional resources for vaccines, treatment, testing, supplies, contract tracing and workforce development.

The receipt of CARES Act and ARP Act relief funding by Geisinger requires increased compliance efforts to ensure requirements are met and any statements or certifications made in applications for relief are accurate. Federal grant revenue from these programs totaling $42 million and $176 million (unaudited) which is included in other revenue in the December 31, 2021 and 2020 Consolidated Statements of Operations, respectively.

Geisinger deferred payment on $63 million of Federal Insurance Contributions Act taxes, as allowed by the CARES Act, in 2020. In 2021, $33 million was paid, leaving a remaining deferred liability of $30 million which is included in accrued expenses and other in the December 31, 2021 Consolidated Balance Sheet.

Geisinger received payment advances as part of the expansion of the CMS accelerated and advanced payment program (the "Program") under the CARES Act. The Program provided cash flow to acute and critical access hospitals in the form of interest-free advances to ensure providers and suppliers had the resources needed to respond to COVID-19. CMS advances totaled $185 million and $314 million at

December 31, 2021 and 2020 (dollars in thousands unless otherwise noted)

December 31, 2021 and 2020, respectively. These funds are being recouped by CMS over time as claims submitted for services to Medicare beneficiaries are processed. Recoupment began in April 2021.

Recently Adopted Accounting Standards
Effective January 1, 2021, Geisinger adopted the following accounting standards:

- Financial Accounting Standards Board ("FASB") Accounting Standards Updates ("ASU") No. 2020-04 Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting, and 2021-01 Reference Rate Reform (Topic 848): Scope. These ASUs provide optional guidance to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform, i.e., the discontinuation of the London Interbank Offered Rate ("LIBOR") or another reference rate in a contract, on financial reporting. The guidance permits an entity, when certain criteria are met, to account prospectively for amendments to contracts made to comply with reference rate reform as a continuation of the existing contract. Geisinger has certain interest rate swap agreements (see Note 10) that utilize LIBOR. As LIBOR is expected to be discontinued as a reference rate, a new reference rate or rates will need to replace LIBOR in these contracts. These ASUs did not impact financial results or disclosures in 2021.
- ASU No. 2017-12 Derivative and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities and 2018-16 Derivative and Hedging (Topic 815): Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as a Benchmark Interest Rate for Hedge Accounting Purposes. These ASUs amend the hedge accounting recognition and presentation requirements and did not impact financial results or disclosures in 2021.
- ASU 2021-03 Intangibles—Goodwill and Other (Topic 350): Accounting Alternative for Evaluating Triggering Events. This ASU provides entities an alternative to perform the goodwill impairment triggering event evaluation as of the end of the reporting period. This ASU did not impact financial results or disclosures in 2021.
- ASU 2018-14 Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans which aims to simplify defined benefit plan disclosures. Disclosures have been updated to reflect this adoption.

(5) Liquidity and Availability of Resources

Liquid financial resources are utilized by Geisinger to meet short-term, one year or less, expenditure needs. Geisinger's investment strategy is to maintain liquid resources sufficient to meet short-term needs and invest the excess. Geisinger's long-term investments without donor restrictions, except for private equity and hedge funds, are intended for long-term uses but are available for short-term needs. The following summarizes Geisinger's financial assets and liquidity resources available within one year to meet the needs of Geisinger as of December 31:

		2021	2020
Financial assets:			
Cash and cash equivalents	$	160,894	728,803
Accounts receivable		626,095	586,046
Investments		4,593,538	3,906,228
Total financial assets		5,380,527	5,221,077

December 31, 2021 and 2020 (dollars in thousands unless otherwise noted)

		2021	2020
Less restricted investments:			
To meet donor intentions	$	141,203	128,081
Under debt agreements		87,020	199,982
Under insurance arrangements		7,574	7,571
For research grants		1,640	4,342
Under other third-party arrangements		5,000	5,000
Total restricted investments		242,437	344,976
Plus liquidity resources:			
Lines of credit (note 19)		500,000	450,000
	$	5,638,090	5,326,101

(6) Investments

Geisinger's investments consist of the following at December 31:

		2021	2020
Cash equivalents	$	193,346	309,445
Equity funds		2,302,435	2,294,267
Marketable equity securities		100,770	94,102
Fixed income securities		486,681	294,878
Fixed income funds		1,209,482	706,261
U.S. government and agency obligations		189,098	129,382
Alternative investments		111,726	77,893
	$	4,593,538	3,906,228

(7) Fair Value Measurements

Geisinger values certain financial and nonfinancial assets and liabilities by applying fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value hierarchy is broken down into three levels based on inputs that market participants would use in valuing the asset based on market data obtained from sources independent of Geisinger as follows:

Level 1: Unadjusted quoted market prices in active markets for identical assets or liabilities.

Level 2: Unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable.

Level 3: Unobservable inputs for the asset or liability.

Inputs broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. Geisinger's investment strategy is to maximize the use of observable inputs (Levels 1 and 2) and minimize the use of unobservable inputs (Level 3).

Geisinger considers observable data to be that market data, which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to Geisinger's perceived risk of that instrument.

Assets are disclosed within the hierarchy based on the lowest (or least observable) input that is significant to the measurement. Geisinger's assessment of the significance of an input requires judgment, which may affect the valuation and categorization within the fair value hierarchy. The fair value of assets and liabilities using Level 3 inputs are generally determined by using pricing models or discounted cash flow methods, which all require significant management judgment or estimation.

The basis for fair value hierarchy and NAV are established below:

Cash and Cash Equivalents
Cash equivalents include short-term investments and fixed income investments with initial maturities of less than three months. Cash equivalents are valued using observable market data and are categorized as Level 1 based on quoted market prices in active markets. The majority of these investments are held in money market accounts.

Equity Funds
Equity funds consist of commingled trust funds and mutual funds that are valued based upon quoted market prices in active markets obtained from exchange or dealer markets for identical assets. Equity funds are categorized as Level 1 with no valuation adjustments applied.

Marketable Equity Securities
Marketable equity securities consist of individual securities that are generally valued based upon quoted market prices in active markets obtained from exchange or dealer markets and are accordingly categorized as Level 1 with no valuation adjustments applied.

Fixed Income Securities
Fixed Income Securities consist of individual securities that are valued based upon quoted market prices or dealer or broker quotations and are categorized as Level 2.

Fixed Income Funds
Fixed income funds consist of commingled trust funds and mutual funds, which are valued based upon quoted market prices in active markets obtained from exchange or dealer markets for identical assets and categorized as Level 1.

U.S. Government and Agency Obligations
U.S. Government and agency obligations consist of individual securities and are valued based on quoted market prices or dealer/broker quotations. Direct obligations of the U.S. Government are categorized as Level 1 and agency obligations are categorized as Level 2.

Alternative Investments
Alternative investments include private equity and hedge funds.

December 31, 2021 and 2020 (dollars in thousands unless otherwise noted)

Private equity investments are in the form of limited partnership interests. The fund managers primarily invest in private investments for which there is no readily determinable market value. The fund manager may value the underlying private investments based on an appraised value, discounted cash flow, industry comparables, or some other method. These limited partnership investments are valued at NAV and are not categorized in the fair value hierarchy.

Hedge funds are equity and fixed income managed funds consisting of limited partnership interests. The fund managers invest in a variety of securities based on the strategy of the fund, which may or may not be quoted in an active market. The hedge funds are valued at NAV and are not categorized in the fair value hierarchy.

Assets Held in Trust
Assets held in trust represent Geisinger's beneficial interest in perpetual and other trusts that are maintained and administered by independent trustees and are valued based on the fair value of the assets held in trust. Trusts that are perpetual, whereby the original corpus cannot be expended, and trusts that have donor-imposed restrictions are reported as net assets with donor restrictions. Distributions from trusts are recorded as investment earnings in net assets without donor restriction or as investment earnings in net assets with donor restrictions if their use is restricted by the donor. Assets held in trust are included in other assets, net in the Consolidated Balance Sheets. These assets are categorized as Level 3.

Derivative Instruments
Derivative instruments are interest rate swap agreements used to manage interest rate exposures related to Geisinger's outstanding variable rate debt. Derivative instruments are categorized as Level 2 and are included in other liabilities and contingencies in the Consolidated Balance Sheets.

The following tables set forth Geisinger's assets and liabilities at December 31, 2021 and 2020 by level within the fair value hierarchy and NAV:

	2021				
	Level 1	Level 2	Level 3	NAV	Total
Cash and cash equivalents	$ 354,240	—	—	—	354,240
Equity funds	2,302,435	—	—	—	2,302,435
Marketable equity securities	100,770	—	—	—	100,770
Fixed income securities	—	486,681	—	—	486,681
Fixed income funds	1,209,482	—	—	—	1,209,482
U.S. government and agency obligations	133,172	55,926	—	—	189,098
Alternative Investments	—	—	—	111,726	111,726
Assets held in trust	—	—	38,118	—	38,118
Derivative instruments	—	(37,180)	—	—	(37,180)
	$ 4,100,099	505,427	38,118	111,726	4,755,370

December 31, 2021 and 2020 (dollars in thousands unless otherwise noted)

	2020				
	Level 1	Level 2	Level 3	NAV	Total
Cash and cash equivalents	$ 1,038,248	—	—	—	1,038,248
Equity funds	2,294,267	—	—	—	2,294,267
Marketable equity securities	94,102	—	—	—	94,102
Fixed income securities	—	294,878	—	—	294,878
Fixed income funds	706,261	—	—	—	706,261
U.S. government and agency obligations	73,619	55,763	—	—	129,382
Alternative Investments	—	—	—	77,893	77,893
Assets held in trust	—	—	38,519	—	38,519
Derivative instruments	—	(49,728)	—	—	(49,728)
	$ 4,206,497	300,913	38,519	77,893	4,623,822

During the years ended December 31, 2021 and 2020, there were no transfers among levels or significant changes in Level 3 investments.

Details on remaining estimated life, current redemption terms, and restrictions by asset class and type of investment are provided below:

Investment types	Remaining life	Redemption terms	Redemption restrictions
Cash equivalents	N/A	Daily	None
Equity funds	N/A	Daily	None
Marketable equity securities	N/A	Daily	None
Fixed income securities	N/A	Daily	None
Fixed income funds	N/A	Daily	None
U.S. government and agency obligations	N/A	Daily	None
Hedge funds	N/A	90% of NAV quarterly with 60 day notice	1 year restriction on new investment
Private equity	1 to 11 years	Redemptions not permitted. Distributions received as underlying investments are liquidated.	N/A

Geisinger has committed to fund certain partnership investments, which were not yet drawn at December 31, 2021. These unfunded commitments totaled $19 million at December 31, 2021. Such commitments have terms from 1 to 11 years.

December 31, 2021 and 2020 (dollars in thousands unless otherwise noted)

(8) Property and Equipment, Net

Property, equipment, and accumulated depreciation and amortization consist of the following at December 31:

	Estimated useful lives		2021	2020
Land		$	91,670	61,220
Land improvements	(3–40 years)		76,924	73,661
Buildings and building improvements	(5–40 years)		955,865	899,662
Equipment	(3–30 years)		1,820,570	1,742,462
Computer software	(3–10 years)		429,888	355,015
			3,374,917	3,132,020
Accumulated depreciation and amortization			(1,951,521)	(1,795,034)
			1,423,396	1,336,986
Construction in progress			301,617	210,149
		$	1,725,013	1,547,135

Construction in progress consists primarily of software implementation projects and clinical facility construction and renovation projects.

Depreciation expense related to property and equipment for the years ended December 31, 2021 and 2020 totaled $215 million and $213 million (unaudited), respectively.

December 31, 2021 and 2020 (dollars in thousands unless otherwise noted)

(9) Long-Term Debt

Long-term debt consists of the following:

	Interest rate mode	Final maturity	Average interest rate	December 31 2021	December 31 2020
Series A of 2021 Bonds	Fixed	06/01/41	1.7 %	$ 108,580	—
Series A of 2020 Bonds	Fixed	04/01/50	3.7 %	480,050	480,050
Series B of 2020 Bonds	Fixed	04/01/43	1.5 %	139,560	139,560
Series C of 2020 Bonds	Fixed	04/01/43	1.9 %	89,540	89,540
Series D of 2020 Bonds	Fixed	04/01/41	3.0 %	39,080	39,080
Series A-1 of 2017 Bonds	Fixed	02/15/47	4.1 %	350,370	350,370
Series A-2 of 2017 Bonds	Fixed	02/15/39	3.6 %	219,295	227,130
Series A of 2014 Bonds	Fixed	06/01/41	4.2 %	48,040	48,040
Series B of 2014 Bonds	Variable	06/01/28	1.4 %	62,700	62,700
Series A-1 of 2011 Bonds	Fixed	06/01/41	4.8 %	—	90,000
Series A-2 of 2011 Bonds	Fixed	06/01/28	4.5 %	—	23,580
Series 2007 Bonds	Variable	05/01/37	1.2 %	68,850	68,850
Series A of 1998 Bonds	Fixed	08/15/23	5.2 %	9,525	14,495
Total tax-exempt revenue bonds				1,615,590	1,633,395
Other long-term debt and financing leases				17,968	11,698
Total debt				1,633,558	1,645,093
Less current installments				(71,524)	(20,966)
Net unamortized premium				157,424	168,594
Deferred debt issue costs				(8,330)	(9,509)
				$ 1,711,128	1,783,212

Average interest rates include the impact of amortizing the discount or premium.

Maturities of long-term debt for the next five years ended December 31 and thereafter are as follows:

2022	$ 71,524
2023	12,948
2024	13,661
2025	12,641
2026	12,396
Thereafter	1,510,388
	$ 1,633,558

Montour County, Pennsylvania, established the Geisinger Authority (the “Authority”) for the purpose of financing through tax-exempt bonds certain capital projects of Geisinger and other nonprofit organizations within the Commonwealth of Pennsylvania and, under certain circumstances, contiguous states. All outstanding bonds were issued through the Authority.

During 2021, the Authority issued Series 2021 Bonds on behalf of Geisinger Health with total proceeds of $114 million which were used to refund existing debt. As a result of this transaction Geisinger recognized a loss on extinguishment of debt totaling $1 million.

December 31, 2021 and 2020 (dollars in thousands unless otherwise noted)

Fixed rate and bank held rate bonds have various installments of principal due prior to maturity. Index floating rate bonds have balloon payments due upon maturity.

The Amended and Restated Master Trust Indenture dated as of June 1, 2020 (the "MTI") and various bank obligations require Geisinger to maintain, as of December 31, a Debt Service Coverage Ratio (as defined in the MTI and bank documents) of at least 110%, and to comply with various other covenants.

Net interest paid, including the effect of swap agreements, totaled $66 million and $55 million (unaudited) during the years ended December 31, 2021 and 2020, respectively.

(10) Derivative Instruments

Geisinger is the fixed-payor party to interest rate swap agreements which, during their term, effectively convert variable rates to fixed rates. Net interest paid or received under the swap agreements is included in interest expense in the Consolidated Statements of Operations. The changes in fair value of an effective cash flow hedge are reported as unrealized gain or loss on derivative within other changes in net assets without donor restriction in the Consolidated Statements of Changes in Net Assets.

The terms of the derivative instruments and related fair values are as follows at December 31:

Contract	Notional amount	Geisinger pays	Geisinger receives	Termination date	Fair value 2021	Fair value 2020
Fixed-payer swap	$ 80,000	4.86 %	SIFMA [a]	08/1/28	$ 10,402	15,618
Option [b]	80,000	N/A	0.85%	08/1/28	(2,124)	(2,835)
Fixed-payer swap	24,500	3.41 %	68% of 1-mo. LIBOR [c]	08/1/28	2,839	4,199
Fixed-payer swap [d]	68,850	4.40 %	67% of 3-mo. LIBOR [c]+0.77%	05/1/37	22,664	27,922
Fixed-payer swap	16,800	2.95 %	68% of 1 mo. LIBOR [c]	09/1/34	2,305	3,243
Fixed-payer swap	7,000	3.54 %	SIFMA [a]	09/1/34	1,094	1,581
Total	$ 277,150				$ 37,180	49,728

[a] The Securities Industry and Financial Markets Association Municipal Swap Index

[b] The counterparty has the right to effectively cancel the $80 million, fixed-payer, SIFMA swap, if SIFMA averages more than 7% for any 180-day period.

[c] The London Interbank Offered Rate

[d] Geisinger receives a rate equal to the interest on the Series 2007 Bonds, except the bonds have a maximum rate of 15%. This transaction qualifies as an effective cash flow hedge.

Management intends to hold the derivative contracts to maturity. The fair value of the derivative instruments is recorded in other liabilities and contingencies in the Consolidated Balance Sheets.

Based on provisions contained in the derivative agreements regarding the aggregate position of derivative instruments, collateral totaling $1 million and $10 million was posted as of December 31, 2021 and 2020, respectively.

December 31, 2021 and 2020 (dollars in thousands unless otherwise noted)

(11) Endowment Net Assets

The composition of and changes in endowment net assets, excluding trusts, is as follows:

Endowment net assets at December 31, 2019 (unaudited)	$	86,621
Investment earnings, net (unaudited)		9,349
Contributions received (unaudited)		1,389
Spending (unaudited)		(3,149)
Release of endowments of divestitures (unaudited)		(2,787)
Endowment net assets at December 31, 2020	$	91,423
Investment earnings, net		15,230
Contributions received		699
Spending		(6,661)
Endowment net assets at December 31, 2021	$	100,691

(12) Noncontrolling Interest

Noncontrolling interest represents the proportionate share of Lackawanna Physicians Ambulatory Surgery Center doing business as Northeast Surgery Center (“NESC”), Geisinger-HM (“GHM”), and Keystone Accountable Care Organization (“KACO”) that are minority owned by third parties. NESC is a Pennsylvania limited liability company that operates an ambulatory surgery center in Dickson City, Pennsylvania and is 80% owned by Geisinger at December 31, 2021. GHM operates several clinic sites in north-central Pennsylvania and a hospital facility in Pennsdale, Pennsylvania, which opened in January 2022. GHM is 60% owned by Geisinger at December 31, 2021. KACO is a group of healthcare providers that collaborate to improve health services. KACO is 75% owned by Geisinger at December 31, 2021. The net income or loss of these ventures is allocated to the noncontrolling interest holders based on their percentage of ownership. Noncontrolling interest totaled $18 million and $6 million as of December 31, 2021 and 2020, respectively.

(13) Leases

Geisinger leases medical office buildings, office space, vehicles and equipment, primarily under operating leases. Geisinger has incurred finance lease liabilities totaling $11 million and $3 million at December 31, 2021 and 2020, respectively. Finance lease liabilities and their related assets are omitted from disclosures below. The remaining term of all leases ranges from 3-40 years.

Operating lease ROU assets and liabilities each totaled $67 million and $65 million at December 31, 2021 and 2020, respectively. The current portion of operating lease liabilities totaling $15 million and $13 million at December 31, 2021 and 2020, respectively, is included in accrued expenses and other in the Consolidated Balance Sheets. The long-term portion of operating lease liabilities, totaling $53 million and $52 million at December 31, 2021 and 2020, respectively, is included in operating lease liabilities in the Consolidated Balance Sheets.

December 31, 2021 and 2020 (dollars in thousands unless otherwise noted)

The components of lease cost for the years ended December 31, were as follows:

		2021	2020 (Unaudited)
Operating lease cost	$	20,977	32,206
Finance lease cost		1,809	2,108
Short-term lease cost		3,410	3,993
Total lease cost	$	26,196	38,307

Other information related to leases as of December 31 was as follows:

		2021	2020 (Unaudited)
Supplemental cash flow information:			
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flow for operating leases	$	20,400	37,530
Right of use assets obtained in exchange for new operating lease liabilities		10,802	38,148
Weighted average remaining lease term		6.7 years	7.1 years
Weighted average discount rate		4.3 %	4.9 %

Future maturities of operating lease liabilities for the next five years ended December 31 and thereafter are as follows:

2022	$	15,438
2023		13,580
2024		11,268
2025		7,829
2026		5,883
Thereafter		22,534
Total undiscounted future lease payments		76,532
Less present value discount		(8,523)
Discounted future lease payments	$	68,009

(14) Retirement and Deferred Compensation Plans

Defined-Contribution Plans

Substantially all employees participate in defined-contribution plans in the form of 401(k), 403(b), 457(b), and 457(f) plans. Employer contributions to the plans totaled $96 million and $99 million for the years ended December 31, 2021 and 2020, respectively.

December 31, 2021 and 2020 (dollars in thousands unless otherwise noted)

The 457(b) and 457(f) nonqualified deferred compensation plans are offered to physicians and other highly compensated employees. The investments held in these deferred compensation plans are recorded in other assets, net with a corresponding liability in other liabilities and contingencies in the Consolidated Balance Sheets.

Defined-Benefit Plans

Geisinger affiliates sponsor two defined-benefit plans covering various employee groups, the Geisinger Consolidated Pension Plan (“GCPP”) and the Jersey Shore Hospital Retirement Income Plan (“GJSH”). Both plans are frozen to new participants and further accumulation of service benefits.

The following summarizes the components of prepaid (accrued) pension cost related to each plan at December 31, 2021 and 2020. Prepaid pension cost is recorded in other assets and accrued pension cost is recorded in other liabilities and contingencies, both in the Consolidated Balance Sheets.

	2021			2020 (Unaudited)		
	GCPP	GJSH	Total	GCPP	GJSH	Total
Fair value of plan assets	$ 189,174	13,343	202,517	$ 188,338	13,643	201,981
Projected and accumulated benefit obligation	(176,260)	(13,123)	(189,383)	(188,918)	(13,857)	(202,775)
Prepaid (accrued) pension cost	$ 12,914	220	13,134	$ (580)	(214)	(794)

The following summarizes the changes in prepaid (accrued) pension cost:

	2021	2020 (Unaudited)
Accrued pension cost	$ (794)	(14,211)
Interest cost	(4,660)	(2,458)
Return on plan assets, net of expenses	5,908	20,004
Employer contributions	3,100	—
Actuarial gain (loss)	9,580	(4,129)
Prepaid (accrued) pension cost	$ 13,134	(794)

Other non-service periodic pension income in the Consolidated Statements of Operations for the years ended December 31, 2021 and 2020 totaled $2 million and $1 million (unaudited), respectively.

No employer contributions are projected for 2022.

December 31, 2021 and 2020 (dollars in thousands unless otherwise noted)

The assumptions used in computing the total net periodic pension cost and total benefit obligation for the sponsors of the retirement plans at December 31 are as follows:

	2021		2020	
	GCPP	GJSH	GCPP	GJSH
Discount rate:				
Net periodic pension cost	2.35 %	2.30 %	2.50 %	2.50 %
Total benefit obligation	2.75	2.70	2.35	2.30
Expected long-term return on plan assets	3.54	3.20	4.70	4.12

The following tables set forth the composition of plan assets and target asset allocations at December 31. All plan assets are Level 1 based upon the fair value hierarchy:

	2021		2020	
Equity funds	$ —	— %	$ 71,238	35 %
Fixed income funds	201,789	99	124,053	62
Cash and cash equivalents	728	1	6,690	3
Total	$ 202,517	100 %	$ 201,981	100 %

Target investment allocations for each plan at December 31, 2021 were as follows:

Fixed income funds	97% – 100%
Cash and cash equivalents	0% – 3%

The following is a schedule by year of estimated future benefit payments as of December 31, 2021:

2022	$ 9,422
2023	9,657
2024	9,856
2025	9,989
2026	10,093
2027 – 2031	50,793
Total	$ 99,810

(15) Hospital and Provider Professional Liability Claims Coverage

Geisinger maintains coverage for professional and general liability risks through a combination of wholly owned self-insurance subsidiaries and excess commercial reinsurance carriers, all on a claims-made basis. During the years ended December 31, 2021 and 2020, Geisinger self-insured the first $15 million per occurrence and purchased excess reinsurance coverage through commercial policies up to a total $100 million limit.

December 31, 2021 and 2020 (dollars in thousands unless otherwise noted)

Professional and general liability claims have been asserted against certain Geisinger subsidiaries and are in various stages of discovery. Additionally, known and unknown incidents have occurred through December 31, 2021, that may result in the assertion of additional claims and changes in estimates. Management has accrued its best estimate for claims identified and an amount for potential claims incurred but not yet reported based upon independent actuarial analysis utilizing a discount rate of 2.0% at December 31, 2021 and 2020.

Loss accruals totaled $327 and $316 million at December 31, 2021 and 2020, respectively. The current portion of loss accruals totaling $66 million and $44 million at December 31, 2021 and 2020, respectively, is included in accrued expenses and other in the Consolidated Balance Sheets. The long-term portion, totaling $261 million and $272 million at December 31, 2021 and 2020, respectively, is included in other liabilities and contingencies in the Consolidated Balance Sheets. The loss accruals include recoveries of $56 million and $64 million at December 31, 2021 and 2020, respectively which are included in accounts receivable and other assets, net in the Consolidated Balance Sheets.

(16) Revenue, Charity Care, and Accounts Receivable

Major components of revenue consist of the following for the year ended December 31:

	2021		2020 (Unaudited)	
	Revenue	**% of Total**	**Revenue**	**% of Total**
Net patient service revenue				
Medicare (“MC”)	$ 921,111	14.3 %	$ 933,254	14.5 %
Medical Assistance (“MA”)	237,283	3.7	246,896	3.8
Other payors	1,703,190	26.5	1,697,822	26.4
	2,861,584	44.5	2,877,972	44.7
Premium revenue				
MC Advantage	1,177,245	18.3	1,132,381	17.6
Commercial	724,666	11.3	871,801	13.6
MA and other state programs	1,332,687	20.7	1,170,498	18.2
	3,234,598	50.3	3,174,680	49.4
Other revenue	330,007	5.2	379,344	5.9
	$ 6,426,189	100.0 %	$ 6,431,996	100.0 %

Laws and regulations governing MC and MA are complex and subject to interpretation. Periodically, in the ordinary course of business, situations arise requiring additional scrutiny by management to ensure that no instances of non-compliance with laws and regulations exist. If an instance of non-compliance is identified, governing bodies are alerted, and efforts are made to estimate contingencies. If these contingencies are probable and estimable, they are recorded as liabilities in the Consolidated Balance Sheets. Amounts received from MC and MA are subject to review and final determination by program intermediaries or their agents. Tentative settlements of these amounts have been completed through June 30, 2021. Provisions have been made in the financial statements for anticipated adjustments that are estimable and are included in accrued expenses and other in the Consolidated Balance Sheets.

December 31, 2021 and 2020 (dollars in thousands unless otherwise noted)

The cost of charity service provided totaled approximately $42 million and $38 million (unaudited) for the years ended December 31, 2021 and 2020, respectively. The costs of charity care are derived from both estimated and actual data. The estimated cost of charity includes the direct and indirect cost of providing such services and is estimated utilizing the providers' pre-pandemic ratio of cost to gross charges, which is then multiplied by the gross uncompensated charges associated with providing care to charity patients. In addition to charity service, services are provided under the MA program to indigent patients. The payments received under this program are less than the cost of providing the services. The unpaid cost of this program totaled approximately $337 million and $323 million (unaudited) for the years ended December 31, 2021 and 2020, respectively. In addition, price concessions for a patients' inability or unwillingness to pay totaled $58 million and $135 million (unaudited) for the years ended December 31, 2021 and 2020, respectively.

Premium revenue from MC Advantage products is based on a risk-adjustment model according to health severity that pays more for enrollees with predictably higher costs. Under this model, rates paid to MC Advantage plans are based on actuarially determined bids, which include a process whereby prospective payments are based on a comparison of beneficiaries' risk scores, derived from medical diagnoses, to those enrolled in the government's original MC program. Under the risk-adjustment model, all MC Advantage plans must collect and submit the necessary diagnosis code information from hospital inpatient, hospital outpatient, and physician providers to CMS within prescribed deadlines. The CMS risk-adjustment model uses this diagnosis data to calculate the risk adjusted premium payment to MC Advantage plans.

CMS is continuing to perform audits of various companies' selected MC Advantage contracts related to this risk adjustment diagnosis data. These risk-adjustment data validation audits review medical record documentation in an attempt to validate provider coding practices and the presence of risk adjustment conditions, which influence the calculation of premium payments to MC Advantage plans.

Geisinger grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. There are no significant concentrations, payors comprising 10%, or more of credit risk included in accounts receivable.

Major components of accounts receivable consist of the following for the year ended December 31:

		2021	2020
Clinical services	$	320,629	269,447
Insurance operations		199,414	217,608
Other		106,052	98,991
	$	626,095	586,046

December 31, 2021 and 2020 (dollars in thousands unless otherwise noted)

(17) Functional Expenses

Expenses attributed to each program or supporting function of Geisinger are reported in the following table. Expenses attributable to more than one program require allocation, which is consistently applied and based upon reasonable statistics such as revenue, expenses, or full-time equivalents. Indirect costs incurred for the benefit of multiple programs are classified as management and general expenses. Expenses related to providing services described in Note 1 are as follows for the year ended December 31:

	Program services					
2021	Clinical enterprise	Insurance operations	Other	Total	Management and general	Total
Salaries and benefits	$ 2,104,259	101,164	138,708	2,344,131	235,784	2,579,915
Medical claims	—	1,593,674	—	1,593,674	—	1,593,674
Supplies	1,061,605	1,145	11,589	1,074,339	10,793	1,085,132
Purchased services	211,019	71,773	26,283	309,075	225,770	534,845
Depreciation and amortization	136,802	20,876	5,850	163,528	53,273	216,801
Other	189,156	14,517	2,621	206,294	136,892	343,186
Interest expense	49,760	50	1,365	51,175	12,367	63,542
Other non-service periodic pension income	(2,379)	—	—	(2,379)	—	(2,379)
Total expenses	$ 3,750,222	1,803,199	186,416	5,739,837	674,879	6,414,716

	Program services					
2020 (Unaudited)	Clinical enterprise	Insurance operations	Other	Total	Management and general	Total
Salaries and benefits	$ 2,042,711	99,952	138,296	2,280,959	303,874	2,584,833
Medical claims	—	1,554,237	—	1,554,237	—	1,554,237
Supplies	992,010	1,458	17,451	1,010,919	6,982	1,017,901
Purchased services	219,646	69,551	23,197	312,394	174,409	486,803
Depreciation and amortization	133,639	23,118	5,583	162,340	52,921	215,261
Other	263,095	45,206	6,194	314,495	130,723	445,218
Loss on divestiture and other asset impairment loss	55,519	—	—	55,519	190	55,709
Interest expense	49,101	173	1,241	50,515	9,257	59,772
Other non-service periodic pension income	(1,288)	—	—	(1,288)	—	(1,288)
Total expenses	$ 3,754,433	1,793,695	191,962	5,740,090	678,356	6,418,446

(18) Net Assets with Donor Restrictions

Net assets with donor restrictions were available for the following purposes at December 31:

	2021	2020
Time and purpose restrictions:		
Support operations	$ 58,379	51,508
Purchase of equipment	24,661	20,157
	83,040	71,665
Amounts held in perpetuity	99,313	97,738
	$ 182,353	169,403

December 31, 2021 and 2020 (dollars in thousands unless otherwise noted)

Net assets were released from donor restriction by incurring expenditures satisfying the restricted purpose to support operations and capital purchases in the amount of $14 million and $16 million (unaudited) for the years ended December 31, 2021 and 2020, respectively.

(19) Contingent Liabilities and Commitments

Geisinger is involved in litigation arising in the ordinary course of business. Claims have been asserted against Geisinger and are currently in various stages of litigation. Management believes that accruals are adequate to provide for potential losses resulting from pending or threatened litigation.

In April 2021, Geisinger established a three-year, $450 million syndicated revolving credit facility to replace four separate lines of credit totaling $400 million. Geisinger Health also maintains a $50 million line of credit facility with an expiration date of February 2022. No amounts were outstanding under the revolving credit facility or line of credit at December 31, 2021 or 2020. Geisinger Health maintains a $50 million credit facility for the issuance of letters of credit. At December 31, 2021 and 2020, $34 million and $37 million of standby letters of credit were outstanding, respectively. Geisinger had outstanding commitments on construction projects totaling $161 million and $144 million at December 31, 2021 and 2020, respectively.

(20) Financial Responsibility Standard

Geisinger Commonwealth School of Medicine and Geisinger Lewistown School of Nursing participate in federal Title IV student financial assistance programs, which require Geisinger to meet standards of financial responsibility based on criteria determined by the U.S. Department of Education, as set forth in 34 CFR 668.171. The criteria include the annual calculation by the Department of Education of a financial responsibility composite score, as further outlined in 34 CFR 668.172, using audited consolidated financial statements submitted through Department of Education's eZ-Audit system. The composite score is based on three ratios: Primary Reserve, Equity, and Net Income. These ratios utilize the following financial data as of and for the year ended December 31, 2021:

Required input according to the standard	Ratio(s) uses	Amounts
Net assets, without donor restrictions	Not applicable	$ 4,306,970
Net assets, without donor restrictions – noncontrolling interest	Not applicable	18,260
Total net assets, without donor restrictions	Primary reserve and Equity	4,325,230
Lease ROU assets – pre-implementation	Primary reserve and Equity	$ 10,802
Lease ROU assets – post-implementation	Primary reserve	56,579
Total lease ROU assets	Not applicable	$ 67,381
Property and equipment, net – pre-implementation	Not applicable	$ 899,817
Construction in progress at June 30, 2019 still outstanding at December 31, 2021	Not applicable	7,171
Total property and equipment, net – pre-implementation	Primary reserve	$ 906,988
Property and equipment, net purchased post-implementation, without outstanding debt for original purchase	Primary reserve	$ 368,316
Property and equipment, net purchased post-implementation, with outstanding debt for original purchase:		
Land Improvements	Not applicable	$ 12,290
Buildings and building improvements	Not applicable	34,540
Equipment	Not applicable	69,667
Computer software	Not applicable	38,766
Total property and equipment, net purchased post-implementation, with outstanding debt for original purchase	Primary reserve	$ 155,263

December 31, 2021 and 2020 (dollars in thousands unless otherwise noted)

Required input according to the standard	Ratio(s) uses	Amounts
Construction in progress	Primary reserve	$ 294,446
Total property and equipment, net	Not applicable	$ 1,725,013
Long-term debt – pre-implementation	Primary reserve	$ 802,300
Long-term debt for property and equipment purchased post – implementation:		
Land Improvements	Not applicable	$ 12,290
Buildings and building improvements	Not applicable	34,540
Equipment	Not applicable	69,667
Computer software	Not applicable	38,766
Total long-term debt for property and equipment purchased post-implementation	Primary reserve	$ 155,263
Long-term debt for construction in process post-implementation	Primary reserve	$ 103,245
Long-term debt liability greater than asset value	Not Applicable	721,844
Total long-term debt (including current installments)	Not Applicable	$ 1,782,652
Lease ROU liabilities – pre-implementation	Primary reserve and Equity	$ 10,843
Lease ROU liabilities – post-implementation	Primary reserve	57,166
Total lease ROU liabilities	Not applicable	$ 68,009
Annuities with donor restrictions	Primary reserve	$ 1,625
Intangible assets	Primary reserve and Equity	$ 55,572
Unsecured related party receivables	Primary reserve and Equity	$ 100
Total expenses, consolidated statement of operations	Not Applicable	$ 6,353,553
Interest expense, consolidated statement of operations	Not Applicable	63,542
Total expenses without donor restrictions	Primary reserve	$ 6,417,095
Loss on extinguishment of debt, consolidated statement of operations	Not Applicable	$ 979
Other losses	Primary reserve	$ 979
Total expenses and losses without donor restrictions	Primary reserve	$ 6,418,074
Total revenue, consolidated statement of operations	Not Applicable	$ 6,426,189
Unrealized gain on derivatives, consolidated statement of operations	Not Applicable	7,289
Non-service defined benefit pension income, consolidated statement of operations	Not Applicable	2,379
Total operating revenue and other additions (gains)	Net Income	$ 6,435,857
Investment earnings, net, consolidated statement of operations	Net Income	$ 529,491
Unrealized gain on derivatives, consolidated statement of changes in net assets	Not Applicable	$ 5,259
Pension liability adjustments, consolidated statement of changes in net assets	Not Applicable	8,450
Net assets released from restriction for capital purchases, consolidated statement of changes in net assets	Not Applicable	8,707
Net contribution from noncontrolling interest, consolidated statement of changes in net assets	Not Applicable	12,504
Non-Operating revenue and other gains	Net Income	$ 34,920
Total revenues and gains without donor restrictions	Net Income	$ 7,000,268

Refer to Note 9 for information relating to issue dates and terms of long-term debt. All issued debt has been used to fund the acquisition of property and equipment which is capitalized when acquired and placed in service.

(21) Subsequent Events

Management has evaluated subsequent events through March 2, 2022, which represents the date the consolidated financial statements were available for issuance, to ensure that the consolidated financial statements include appropriate disclosure of events both recognized in the consolidated financial statements as of December 31, 2021, and events that occurred subsequent to December 31, 2021, but were not recognized in the consolidated financial statements.

Geisinger

Supplementary Schedule of Financial Responsibility Data
As of and for the Twelve-Month Period Ended
December 31, 2021 (dollars in thousands unless otherwise noted)

(dollars in thousands)

Location in financial statements or related notes	Financial element	GAAP financial statement line item or disclosure	Amount used as ratio input
Primary Reserve Ratio: Expendable Net Assets:			
Note 20 Financial Responsibility Standard	Net assets without donor restrictions	$ 4,325,230	4,325,230
Consolidated Balance Sheet	Net assets with donor restrictions	182,353	182,353
Note 20 Financial Responsibility Standard	Secured and Unsecured related party receivables	100	100
Note 20 Financial Responsibility Standard	Unsecured related party receivables	100	100
Not Applicable	Unsecured other related party assets	—	—
Consolidated Balance Sheet	Total property, plant, and equipment, net	1,725,013	1,725,013
Note 20 Financial Responsibility Standard	Property, plant and equipment, net – pre-implementation	906,988	906,988
Note 20 Financial Responsibility Standard	Property, plant and equipment, net – post-implementation with outstanding debt for original purchase	155,263	155,263
Note 20 Financial Responsibility Standard	Property, plant and equipment, net – post-implementation without outstanding debt for original purchase	368,316	368,316
Note 20 Financial Responsibility Standard	Construction in progress	294,446	294,446
Note 20 Financial Responsibility Standard	Total lease right-of-use assets	67,381	—
Note 20 Financial Responsibility Standard	Lease right-of-use assets – pre-implementation	10,802	10,802
Note 20 Financial Responsibility Standard	Lease right-of-use assets – post-implementation	56,579	56,579
Note 20 Financial Responsibility Standard	Intangible assets	55,572	55,572
Note 14 Retirement and Deferred Compensation Plans	Post-employment and pension liabilities	(13,134)	—
Note 20 Financial Responsibility Standard	Total long-term debt	1,782,652	1,782,652
Note 20 Financial Responsibility Standard	Long-term debt – for long-term purposes – pre-implementation	802,300	802,300
Note 20 Financial Responsibility Standard	Long-term debt – for long-term purposes – post-implementation	155,263	155,263
Note 20 Financial Responsibility Standard	Long-term debt for construction in progress, post implementation	103,245	103,245
Note 20 Financial Responsibility Standard	Total liability related to lease right-of-use assets	68,009	—
Note 20 Financial Responsibility Standard	Liability related to lease right-of-use assets – pre-implementation	10,843	10,802
Note 20 Financial Responsibility Standard	Liability related to lease right-of-use assets – post-implementation	57,166	56,579
Note 20 Financial Responsibility Standard	Annuities with donor restrictions	1,625	1,625
Not Applicable	Term endowments with donor restrictions	—	—
Not Applicable	Life income funds with donor restrictions	—	—
Note 18 Net Assets with Donor Restrictions	Net assets with donor restrictions: restricted in perpetuity	99,313	99,313
Note 18 Net Assets with Donor Restrictions	Net assets with donor restrictions: other for purpose of time	83,040	83,040
Not Applicable	Line of credit for construction in progress	—	—
Primary Reserve Ratio: Expenses and Losses:			
Note 20 Financial Responsibility Standard	Total expenses and losses without donor restrictions	6,418,074	6,418,074
Note 20 Financial Responsibility Standard	Total expenses without donor restrictions	6,417,095	6,417,095
Not Applicable	Other components of net periodic pension costs	—	—
Not Applicable	Change in value of split-interest agreements	—	—
Note 20 Financial Responsibility Standard	Other Losses	979	979
Equity Ratio: Modified Net Assets:			
Note 20 Financial Responsibility Standard	Net assets without donor restrictions	4,325,230	4,325,230
Consolidated Balance Sheet	Net assets with donor restrictions	182,353	182,353
Note 20 Financial Responsibility Standard	Lease ROU assets - pre-implementation	10,802	10,802
Note 20 Financial Responsibility Standard	Lease ROU liabilities – pre-implementation	10,843	10,802
Note 20 Financial Responsibility Standard	Intangible assets	55,572	55,572
Note 20 Financial Responsibility Standard	Unsecured related party receivable	100	100
Not Applicable	Unsecured other related party assets	—	—
Equity Ratio: Modified Assets:			
Consolidated Balance Sheet	Total assets	7,957,982	7,957,982
Note 20 Financial Responsibility Standard	Lease ROU assets - pre-implementation	10,802	10,802
Note 20 Financial Responsibility Standard	Intangible assets	55,572	55,572
Note 20 Financial Responsibility Standard	Unsecured related party receivable	100	100
Not Applicable	Unsecured other related party assets	—	—
Net Income Ratio:			
Consolidated Statement of Changes in Net Assets	Change in net assets without donor restrictions	582,194	582,194
Note 20 Financial Responsibility Standard	Total revenues and gains without donor restrictions	7,000,268	7,000,268
Note 20 Financial Responsibility Standard	Total operating revenue and other additions (gains)	6,435,857	6,435,857
Note 20 Financial Responsibility Standard	Investment return appropriated for spending	529,491	529,491
Note 20 Financial Responsibility Standard	Non-operating revenue and other gains	34,920	34,920

See accompanying independent auditors' report.

GEISINGER

Consolidated Schedule of Expenditures of Federal Awards

Year ended December 31, 2021

Federal Awarding Agency/Program Name/Cluster Name	Pass through entity	Pass through entity identification number	Assistance listing number (ALN)	Expenditures	Amounts provided to subrecipients
Research and Development Cluster:					
Direct Awards:					
United States Department of Agriculture:					
Agricultural Research Basic and Applied Research			10.001	$ 153,560	72,625
Agricultural Research Basic and Applied Research			10.855	80,337	—
Total United States Department of Agriculture				233,897	72,625
United States Department of Health and Human Services:					
Centers for Disease Control and Prevention:					
Chronic Diseases: Research, Control, and Prevention			93.068	771,974	433,926
Chronic Diseases: Research, Control, and Prevention			93.945	197,465	26,047
Total Centers for Disease Control and Prevention				969,439	459,973
National Cancer Institute:					
21st Century Cures Act – Beau Biden Cancer Moonshot			93.353	630,223	356,834
Cancer Treatment Research			93.395	1,142,734	—
Trans-NIH Research Support			93.310	16,335	—
Cancer Cause and Prevention			93.393	671,657	323,629
Total National Cancer Institute				2,460,949	680,463
National Coordinator for Health Information Technology:					
Strengthening the Technical Advancement & Readiness of Public Health			93.462	123,809	—
Total National Coordinator for Health Information Technology				123,809	—
National Human Genome Research Institute:					
Human Genome Research			93.172	1,071,000	62,042
Total National Human Genome Research Institute				1,071,000	62,042
National Institute on Aging:					
Aging Research			93.866	298,835	25,305
Total National Institute on Aging				298,835	25,305
National Institute of Diabetes and Digestive and Kidney Diseases:					
Diabetes, Digestive, and Kidney Diseases Extramural Research			93.847	62,141	—
Total National Institute of Diabetes and Digestive and Kidney Diseases				62,141	—
National Institute on Drug Abuse:					
Drug Abuse and Addiction Research Programs			93.279	633,745	125,232
Total National Institute on Drug Abuse				633,745	125,232
National Institute of General Medical Sciences:					
Biomedical Research and Research Training			93.859	136,065	783
Total National Institute of General Medical Sciences				136,065	783
National Heart, Lung, and Blood Institute:					
Cardiovascular Diseases Research			93.837	1,602,288	238,180
Total National Heart, Lung, and Blood Institute				1,602,288	238,180
National Institute of Mental Health:					

(Continued)

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Consolidated Schedule of Expenditures of Federal Awards

Year ended December 31, 2021

Federal Awarding Agency/Program Name/Cluster Name	Pass through entity	Pass through entity identification number	Assistance listing number (ALN)	Expenditures	Amounts provided to subrecipients
Mental Health Research Grants			93.242	$ 1,580,020	506,043
Total National Institute of Mental Health				1,580,020	506,043
Total United States Department of Health and Human Services				8,938,291	2,098,021
Total Direct Awards				9,172,188	2,170,646
Indirect Awards:					
United States Department of Health and Human Services:					
Agency for Healthcare Research and Quality:					
Research on Healthcare Costs, Quality and Outcomes	Baylor College of Medicine	7000001039	93.226	24,865	—
Total Agency for Healthcare Research and Quality				24,865	—
National Cancer Institute:					
Alliance for Clinical Trials Subcontract	Alliance for Clinical Trials		93.UNK	9,221	—
Cancer Trials Support Unit Subcontract	Cancer Trials Support Unit		93.UNK	2,182	—
Children's Oncology Group Subcontract	Children's Oncology Group		93.UNK	1,134	—
Eastern Cooperative Oncology Group Subcontract	Eastern Cooperative Oncology Group		93.UNK	13,054	—
NRG Oncology Subcontract	NRG Oncology		93.UNK	579	—
NSABP Foundation	NSABP Foundation		93.UNK	1,987	—
Radiation Therapy Oncology Group Subcontract	Radiation Therapy Oncology Group		93.UNK	18	—
Temple University	Temple University		93.UNK	21,682	—
University of Rochester	University of Rochester		93.UNK	1,302	—
Wake Forest University Subcontract	Wake Forest University		93.UNK	3,988	—
Subtotal ALN 93.UNK				55,147	—
Cancer Cause and Prevention Research	Georgetown University	424384_GR412999-GC	93.393	39,507	—
Cancer Cause and Prevention Research	University of Pennsylvania	576656	93.393	67,023	—
Subtotal ALN 93.393				106,530	—
Total National Cancer Institute				161,677	—
National Institute of General Medical Sciences:					
Biomedical Research and Research Training	Brown University	00001287	93.859	34,326	—
Total National Institute of General Medical Sciences				34,326	—
National Institutes of Health:					
Vision Research	NYU School of Medicine	16-00463	93.867	5,167	—
National Center for Advancing Translational Sciences	University of Pennsylvania	582,262	93.350	8,709	—
National Center for Advancing Translational Sciences	Scripps	5-53986	93.350	4,989	—
Subtotal ALN 93.350				13,698	—
Total National Institutes of Health				18,865	—

(Continued)

Federal Awarding Agency/Program Name/Cluster Name	Pass through entity	Pass through entity identification number	Assistance listing number (ALN)	Expenditures	Amounts provided to subrecipients
National Human Genome Research Institute:					
Human Genome Research	Boston Children's Hospital	GENFD0001649733	93.172	$ 6,140	—
Human Genome Research	Brigham & Women's Hospital	117,565	93.172	1,148,238	—
Human Genome Research	Harvard Pilgrim Healthcare	AH000781	93.172	47,087	—
Human Genome Research	Pennsylvania State University	S002386-DHHS	93.172	2,416	—
Human Genome Research	University of North Carolina	5,118,563	93.172	133,174	—
Human Genome Research	Vanderbilt University	VUMC 76318	93.172	2,525	—
Human Genome Research	Vanderbilt University	VUMC63907	93.172	138,333	—
Human Genome Research	Vanderbilt University	VUMC86719	93.172	104,164	—
Total National Human Genome Research Institute (ALN 93.172)				1,582,077	—
National Heart, Lung, and Blood Institute:					
Cardiovascular Diseases Research	Daxor Corporation		93.837	31,045	—
Cardiovascular Diseases Research	Johns Hopkins University	2,004,339,391	93.837	84,095	—
Cardiovascular Diseases Research	Sutter Bay Hospitals	280201017-S231	93.837	6,163	—
Subtotal ALN 93.837				121,303	—
Lung Diseases Research	COPD Foundation	001-AMEND5	93.838	4,699	—
Lung Diseases Research	NYU Grossman School of Medicine	0T2HL156812	93.838	36,196	—
Lung Diseases Research	Temple University	267389-GEISINGER	93.838	11,838	—
Lung Diseases Research	University of Pennsylvania	3801529	93.838	30,719	—
Lung Diseases Research	University of Pittsburgh	9012549 (131692-36)	93.838	110	—
Subtotal ALN 93.838				83,562	—
Total National Heart, Lung, and Blood Institute				204,865	—
National Institute on Aging:					
Aging Research	UCLA	1558 G WA349	93.866	148,246	—
Total National Institute on Aging				148,246	—
National Institute of Dental and Craniofacial Research:					
Oral Diseases and Disorders Research	University of Pittsburgh	AWD00002788 (134938-2)	93.121	18,675	—
Total National Institute of Dental and Craniofacial Research				18,675	—
National Institute of Diabetes and Digestive and Kidney Diseases:					
Diabetes, Digestive, and Kidney Diseases Extramural Research	Columbia University	11(GG011642-05)	93.847	966	—
Diabetes, Digestive, and Kidney Diseases Extramural Research	Johns Hopkins University	2004036780	93.847	45,562	—
Diabetes, Digestive, and Kidney Diseases Extramural Research	Johns Hopkins University	2004481011	93.847	21,143	—
Diabetes, Digestive, and Kidney Diseases Extramural Research	Temple University	265300-GC	93.847	3,063	—
Diabetes, Digestive, and Kidney Diseases Extramural Research	Translational Genomics	DISTEFANO-18-03	93.847	44,016	—
Diabetes, Digestive, and Kidney Diseases Extramural Research	University of Chicago	FP068366-01 D	93.847	26,335	—
Diabetes, Digestive, and Kidney Diseases Extramural Research	University of Michigan	3003773936	93.847	1,692	—
Diabetes, Digestive, and Kidney Diseases Extramural Research	University of Michigan	3004195232	93.847	4,220	—
Diabetes, Digestive, and Kidney Diseases Extramural Research	University of North Carolina	5119492	93.847	184,796	—
Diabetes, Digestive, and Kidney Diseases Extramural Research	University of Washington	UWSC10047	93.847	17,539	—
Total National Institute of Diabetes and Digestive and Kidney Diseases (ALN 93.847)				349,332	—
National Institute of Environmental Health Sciences:					
Environmental Health	Columbia University	1(GG014926-01)	93.113	$ 32,262	—

GEISINGER

Consolidated Schedule of Expenditures of Federal Awards

Year ended December 31, 2021

Federal Awarding Agency/Program Name/Cluster Name	Pass through entity	Pass through entity identification number	Assistance listing number (ALN)	Expenditures	Amounts provided to subrecipients
Total National Institute of Environmental Health Sciences				32,262	—
National Center on Sleep Disorders Research:					
National Center on Sleep Disorders Research	University of Pennsylvania	570229	93.233	45,644	—
Total National Center on Sleep Disorders Research				45,644	—
National Institute of Mental Health:					
Mental Health Research Grants	Massachusetts General Hospital	234064	93.242	226,882	—
Mental Health Research Grants	Washington University	WU-21-392-MOD-1	93.242	142,476	—
Total National Institute of Mental Health (ALN 93.242)				369,358	—
National Institute of Neurological Disorders and Stroke:					
Extramural Research Programs in the Neurosciences and Neurological Disorders	Rutgers University	0673	93.853	7,004	—
Extramural Research Programs in the Neurosciences and Neurological Disorders	Stanford University	61933056-125439	93.853	19,501	—
Total National Institute of Neurological Disorders and Stroke (ALN 93.853)				26,505	—
National Institute of Nursing Research:					
Nursing Research	The Regents of the University	2019-3708	93.361	4,072	—
Total Institute of Nursing Research				4,072	—
National Institute on Drug Abuse:					
Drug Abuse and Addiction Research Programs	Appliedvr	EASEVRX-G-19	93.279	109,888	—
Drug Abuse and Addiction Research Programs	Appliedvr	RELIEVRX-G-19	93.279	97,665	—
Drug Abuse and Addiction Research Programs	Hennepin Healthcare	15258-2	93.279	47,419	—
Drug Abuse and Addiction Research Programs	Hennepin Healthcare	15310-2	93.279	275,405	—
Drug Abuse and Addiction Research Programs	Kaiser Foundation	RNG210715-GC	93.279	11,402	—
Drug Abuse and Addiction Research Programs	Kaiser Foundation	RNG210720-GC	93.279	8,255	—
Total National Institute on Drug Abuse (ALN 93.279)				550,034	—
Total United States Department of Health and Human Services				3,570,803	—
Total Indirect Awards				3,570,803	—
Total Research and Development Cluster				12,742,991	2,170,646

(Continued)

GEISINGER

Consolidated Schedule of Expenditures of Federal Awards

Year ended December 31, 2021

Federal Awarding Agency/Program Name/Cluster Name	Pass through entity	Pass through entity identification number	Assistance listing number (ALN)	Expenditures	Amounts provided to subrecipients
Direct Awards:					
United States Department of Education:					
Student Financial Aid Cluster:					
Federal Direct Student Loans			84.268	$ 23,996,860	—
Federal Pell Grant Program			84.063	68,301	—
Total United States Department of Education				24,065,161	—
Total Student Financial Aid Cluster				24,065,161	—
Other Programs:					
Direct Awards:					
United States Department of Education:					
Education Stabilization Fund:					
COVID-19 Higher Education Emergency Relief Funds (HEERF) Student Aid Portion			84.425E	356,982	—
COVID-19 HEERF Institutional Portion			84.425F	385,488	—
COVID-19 HEERF Fund for the Improvement of Postsecondary Education Formula Grant			84.425N	416,716	—
Total United States Department of Education (ALN 84.425)				1,159,186	—
United States Department of Health and Human Services:					
Health Resources and Services Administration:					
Centers of Excellence			93.157	780,317	—
Children's Justice Grants to State			93.643	4,994	—
Grants for Primary Care Training and Enhancement			93.884	220,820	4,651
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease			93.918	78,743	—
Mental and Behavioral Health Education and Training Grants			93.732	196,012	—
Telehealth Programs			93.211	52,464	—
COVID-19 Provider Relief Fund			93.498	174,600,969	—
Total United States Department of Health and Human Services				175,934,319	4,651
Total Direct Awards				177,093,505	4,651
Indirect Awards:					
United States Department of Justice:					
Crime Victim Assistance	Pennsylvania Commission on Crime	2017/2018-VF-05-29009	16.575	61,834	—
Crime Victim Assistance	Pennsylvania Commission on Crime	2018-VF-05-30928	16.575	(4,223)	
Crime Victim Assistance	Pennsylvania Commission on Crime	2018/2019/2020-VF-05 33022	16.575	114,035	—
Crime Victim Assistance	Pennsylvania Commission on Crime	2018-VF-05-29056	16.575	19,747	—
Total United States Department of Justice (ALN 16.575)				191,393	—
Transit Services Program Cluster:					
United States Department of Transportation:					
Enhanced Mobility of Seniors and Individuals with Disabilities	Pennsylvania Department of Transportation	CCA-G-19-20-GCLNRF-005	20.513	176,946	—
Enhanced Mobility of Seniors and Individuals with Disabilities	Pennsylvania Department of Transportation	EG00827245	20.513	107,507	—
Total Transit Services Program Cluster (ALN 20.513)				284,453	—
United States Department of Health and Human Services:					
Centers for Disease Control and Prevention:					
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	Temple University	267698-GC	93.898	9,227	—
Total Centers for Disease Control and Prevention				9,227	—

GEISINGER

Consolidated Schedule of Expenditures of Federal Awards

Year ended December 31, 2021

Federal Awarding Agency/Program Name/Cluster Name	Pass through entity	Pass through entity identification number	Assistance listing number (ALN)	Expenditures	Amounts provided to subrecipients
Centers for Medicare and Medicaid Services:					
Children's Health Insurance Program	Pennsylvania Department of Human Services	4000013241	93.767	$ 21,577,801	—
Total Centers for Medicare and Medicaid Services				21,577,801	—
Health Resources and Services Administration:					
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	Central Susquehanna Community Foundation	4100070296	93.505	301,606	—
Maternal, Infant, and Early Childhood Home Visiting Grant Program	Tuscarora Intermediate Unit	X1141931	93.870	7,071	—
Maternal and Child Health Federal Consolidated Program	Ferre Institute	6017-03	93.110	8,691	—
COVID-19 Small Rural Hospital Improvement Grant Programs	Pennsylvania State University		93.301	37,448	—
Small Rural Hospital Improvement Grant Programs	Pennsylvania State University		93.301	9,860	—
Subtotal ALN 93.301				47,308	—
Total Health Resources and Services Administration				364,676	—
Office of the Secretary:					
COVID-19 Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	Pennsylvania Department of Health	4100070342	93.817	257,276	—
COVID-19 National Bioterrorism Hospital Preparedness Program	U3REP200626-01-08		93.889	134,778	—
Total Office of the Secretary				392,054	—
Substance Abuse and Mental Health Services Administration:					
State Targeted Response to the Opioid Crisis Grants	Jewish Healthcare Foundation		93.788	3,815	—
State Targeted Response to the Opioid Crisis Grants	Jewish Healthcare Foundation	H79TI083297	93.788	141,226	—
State Targeted Response to the Opioid Crisis Grants	Pennsylvania Department of Drug and Alcohol	4100085570	93.788	371,103	—
Total Substance Abuse and Mental Health Services Administration (ALN 93.788)				516,144	—
Total United States Department of Health and Human Services				23,144,355	—
Total Indirect Awards				23,335,748	—
Total Other Programs				200,429,253	4,651
Total Expenditures of Federal Awards				$ 237,237,405	2,175,297

See accompanying notes to consolidated schedule of expenditures of federal awards.

GEISINGER

Notes to Consolidated Schedule of Expenditures of Federal Awards

Year ended December 31, 2021

(1) Reporting Entity

Geisinger includes all federal expenditures in its consolidated schedule of expenditures of federal awards (the Schedule) administered by all entities included in its consolidated financial statements. Specifically, the Schedule includes expenditures of the following entities: Geisinger Clinic (identification number 23-6291113); Geisinger Medical Center (identification number 24-0795959); Geisinger Wyoming Valley Medical Center (identification number 23-1996150); Geisinger Community Health Services (identification number 23-2967235); Geisinger-Bloomsburg Hospital (identification number 23-2193572); Geisinger-Community Medical Center (identification number 24-0862246); Geisinger-Lewistown Hospital (identification number 23-1352187); Geisinger Health Plan (identification number 23-2311553); Geisinger Jersey Shore Hospital (identification number 24-0792115); Geisinger Commonwealth School of Medicine (identification number 26-0812968); West Shore Advance Life Support Services, Inc. (identification number 23-2463002); Lackawanna Physicians Ambulatory Surgery Center, LLC (identification number 23-3024998); Family Health Associates of Geisinger Lewistown Hospital (identification number 25-1651582); and Geisinger-HM Joint Venture, LLC (identification number 83-1871064).

The Schedule includes COVID-19 Provider Relief Fund amounts received by Holy Spirit Hospital of the Sisters of Christian Charity (identification number 23-1512747) and Spirit Physician Services, Inc. (identification number 25-1766971) for expenditures incurred prior to their divestiture from Geisinger effective November 1, 2020.

(2) Basis of Presentation

The accompanying Schedule includes all the federal award programs activity of Geisinger under programs of the federal government for the year ended December 31, 2021. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). The Schedule presents only a selected portion of the operations of Geisinger, and it is not intended to and does not present the consolidated financial position, results of operations, or cash flows of Geisinger.

(3) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and 45 CFR Part 75 Appendix E, hospital cost principles, wherein certain types of expenditures are not allowable or are limited as reimbursement. Therefore, some amounts presented in the Schedule may differ from amounts presented in or used in the preparation of the consolidated financial statements.

(4) Indirect Cost

Geisinger has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

(5) Provider Relief Fund

The Provider Relief Fund expenditures reported on the Schedule include the payments received from April 10, 2020 – December 31, 2020 and include the following providers:

Entity Name	Tax ID	Period 1	Period 2
Geisinger-Community Medical Center	24-0862246	$ 16,140,579	12,550,000
Family Health Associates of Geisinger Lewistown Hospital	25-1651582	22	14,546
Geisinger Clinic	23-6291113	24,944,623	—
Geisinger Jersey Shore Hospital	24-0792115	4,127,451	1,250,000
Geisinger Medical Center	24-0795959	25,595,088	31,876,866
Geisinger Wyoming Valley Medical Center	23-1996150	12,594,295	12,447,954
Geisinger-Bloomsburg Hospital	23-2193572	5,948,405	500,457
Geisinger-HM Joint Venture, LLC	83-1871064	41,820	—
Geisinger-Lewistown Hospital	23-1352187	8,033,128	—
Holy Spirit Hospital of the Sisters of Christian Charity	23-1512747	16,224,238	—
Lackawanna Physicians Ambulatory Surgery Center, LLC	23-3024998	140,781	246,137
Spirit Physician Services, Inc.	25-1766971	1,578,635	—
West Short Advanced Life Support Services, Inc.	23-2463002	310,790	35,154
Total		$ 115,679,855	58,921,114

KPMG LLP
345 Park Avenue
New York, NY 10154-0102

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

The Board of Directors
Geisinger Health:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Geisinger Health and its subsidiaries (collectively referred to as "Geisinger") which comprise the consolidated balance sheet as of December 31, 2021, and the related consolidated statements of operations, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 2, 2022.

Report on Internal Control Over Financial Reporting

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

Report on Compliance and Other Matters

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

KPMG

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 Geisinger'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.

KPMG LLP

New York, New York
March 2, 2022

KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Consolidated Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

The Board of Directors
Geisinger Health:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Geisinger Health and its subsidiaries' (collectively referred to as "Geisinger") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Geisinger's major federal programs for the year ended December 31, 2021. Geisinger's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Geisinger complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Geisinger and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Geisinger's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Geisinger's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Geisinger's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government*

Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Geisinger's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Geisinger's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Geisinger's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Geisinger's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Consolidated Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the consolidated financial statements of Geisinger as of and for the year ended December 31, 2021 and have issued our report thereon dated March 2, 2022, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidated schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidated schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

New York, New York
August 22, 2022

GEISINGER

Schedule of Findings and Questioned Costs

Year ended December 31, 2021

(1) Summary of Auditors' Results

(a) Type of report issued on whether the consolidated financial statements were prepared in accordance with generally accepted accounting principles: **Unmodified**

(b) Internal control deficiencies over financial reporting disclosed by the audit of the consolidated financial statements:

- Material weaknesses: No
- Significant deficiencies: None reported

(c) Noncompliance material to the consolidated financial statements: No

(d) Internal control deficiencies over major programs disclosed by the audit:

- Material weaknesses: No
- Significant deficiencies: None reported

(e) Type of report issued on compliance for major programs: Unmodified

(f) Audit findings that are required to be reported in accordance with 2 CFR 200.516(a): No

(g) Major programs:

- Research and Development cluster: various assistance listing numbers
- Provider Relief Fund: 93.498
- Education Stabilization Fund: 84.425(E, F, and N)

(h) Dollar threshold used to distinguish between Type A and Type B programs: $3,000,000

(i) Auditee qualified as a low-risk auditee: Yes

(2) Finding Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

None

(3) Findings and Questioned Costs Relating to Federal Awards

None