Lucile Salter Packard Children's Hospital at Stanford

Consolidated Financial Statements and Accompanying Consolidating Information
August 31, 2021 and 2020

Lucile Salter Packard Children's Hospital at Stanford
Index
August 31, 2021 and 2020

Page(s)

Report of Independent Auditors 1

Consolidated Financial Statements

Balance Sheets 2

Statements of Operations and Changes in Net Assets 3

Statements of Cash Flows 4

Notes to Financial Statements 5–41

Report of Independent Auditors on Accompanying Consolidating Information 42

Consolidating Balance Sheets 43–44

Consolidating Statements of Operations and Changes in Net Assets 45–46

Note to Accompanying Consolidating Information 47

Report of Independent Auditors

To the Board of Directors
Lucile Salter Packard Children's Hospital at Stanford

We have audited the accompanying consolidated financial statements of Lucile Salter Packard Children's Hospital at Stanford ("LPCH") and its subsidiaries, which comprise the consolidated balance sheets as of August 31, 2021 and 2020, and the related consolidated statements of operations and changes in net assets and of cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Lucile Salter Packard Children's Hospital at Stanford and its subsidiaries as of August 31, 2021 and 2020, and the results of their operations and changes in net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

San Francisco, CA
December 2, 2021

Lucile Salter Packard Children's Hospital at Stanford
Consolidated Balance Sheets
August 31, 2021 and 2020

(in thousands of dollars)	2021	2020
Assets		
Current assets		
Cash and cash equivalents	$ 398,194	$ 354,157
Short term investments in Stanford University ("University") managed pools	1	1,795
Patient accounts receivable	579,760	467,612
Contributions receivable	79,329	39,774
Other receivables	38,023	45,685
Prepaid expenses, inventory and other	61,242	44,482
Total current assets	1,156,549	953,505
Investments	89,872	88,396
Investments in University managed pools	1,081,283	798,936
Board designated funds in University managed pools and other	164,414	130,087
Property and equipment, net	1,776,007	1,840,898
Beneficial interest in trusts, net	32,762	28,205
Contributions receivable, net of current portion	73,767	69,672
Right of use lease assets	231,215	234,215
Equity method investments and other assets	61,548	49,094
Total assets	$ 4,667,417	$ 4,193,008
Liabilities and Net Assets		
Current liabilities		
Accounts payable, accrued liabilities, and deferred provider fee	$ 219,751	$ 164,178
Accrued salaries and related benefits	129,168	93,425
Due to related parties	76,937	76,265
Third-party payor settlements	21,597	14,388
Current portion of long-term debt and borrowing on revolving credit facility	9,045	38,635
Current portion of long-term right of use lease liability	29,147	26,150
Self-insurance reserves and other liabilities	14,218	11,295
Total current liabilities	499,863	424,336
Self-insurance reserves and other liabilities, net of current portion	70,645	71,382
Long-term right of use lease liability, net of current portion	212,047	213,526
Long-term debt, net of current portion	830,916	842,576
Total liabilities	1,613,471	1,551,820
Net assets		
Without donor restrictions	2,377,168	2,128,735
With donor restrictions	676,778	512,453
Total net assets	3,053,946	2,641,188
Total liabilities and net assets	$ 4,667,417	$ 4,193,008

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

Lucile Salter Packard Children's Hospital at Stanford
Consolidated Statements of Operations and Changes in Net Assets
Years Ended August 31, 2021 and 2020

(in thousands of dollars)	2021	2020
Operating revenues and other support		
Net patient service revenue	$ 2,072,724	$ 1,803,258
Provider fee	65,992	80,604
Other revenue	91,195	153,389
Net assets released from restrictions used for operations	29,307	27,333
Total operating revenues and other support	2,259,218	2,064,584
Operating expenses		
Salaries and benefits	1,023,210	935,330
Professional services	13,520	12,527
Supplies	200,925	171,234
Purchased services	644,675	595,976
Provider fee	20,553	23,845
Other	136,372	126,023
Interest	31,982	33,394
Depreciation and amortization	109,341	121,130
Total operating expenses	2,180,578	2,019,459
Income from operations	78,640	45,125
Interest income	2,869	3,244
Income and gains from University managed pools and other	205,754	48,826
Income tax credit (expense)	710	(202)
Other components of net periodic postretirement cost	(1,637)	(1,435)
Excess of revenues over expenses	286,336	95,558
Net assets released from restrictions used for purchases of property and equipment	10,270	123,907
Adjustment for minimum pension liability	(94)	(2,032)
Transfers to University and other	(48,079)	(35,771)
Increase in net assets without donor restrictions	248,433	181,662
Changes in net assets with donor restrictions		
Contributions and other	71,083	32,172
Income and gains from University managed pools	129,446	30,879
Change in value of beneficial interest in remainder trusts	3,326	1,879
Net assets released from restrictions for operations	(29,307)	(27,333)
Net assets released from restrictions used for purchases of property and equipment	(10,270)	(123,907)
Transfers from (to) University and other	47	(155)
Increase (decrease) in net assets with donor restrictions	164,325	(86,465)
Increase in net assets	412,758	95,197
Net assets		
Beginning of year	2,641,188	2,545,991
End of year	$ 3,053,946	$ 2,641,188

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

Lucile Salter Packard Children's Hospital at Stanford
Consolidated Statements of Cash Flows
Years Ended August 31, 2021 and 2020

(in thousands of dollars)	2021	2020
Cash flows from operating activities		
Change in net assets	$ 412,758	$ 95,197
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	106,726	118,492
Loss on disposal of property and equipment	863	-
Impairment loss of right of use lease assets	2,170	-
Gains from University managed pools	(163,232)	(34,583)
Gains from investments	(38,757)	(11,308)
Contributions and investment income restricted by donors	(192,398)	(63,051)
Change in value of beneficial interest in trusts	(3,228)	(1,883)
Earnings (in excess of) less than distributions in equity method investees	(11,953)	10,958
Proposition 4 grants	(8,131)	-
Changes in operating assets and liabilities		
Patient accounts receivable	(112,148)	(66,779)
Beneficial interest in trusts	467	270
Contributions receivable	(10,540)	13,163
Due to/from related parties	48,722	101
Other receivables, inventory, other assets, prepaid expenses and other	(10,688)	(27,319)
Accounts payable, accrued liabilities, and deferred provider fee	51,984	53,445
Accrued salaries and related benefits	35,743	10,694
Self-insurance and other liabilities	9,395	30,565
Cash provided by operating activities	117,753	127,962
Cash flows from investing activities		
Purchases of investments in University managed pools and other	(28,195)	(32,603)
Sales of investments in University managed pools and other	24,777	29,088
Purchases of property and equipment	(43,136)	(75,759)
Proposition 4 grants	8,131	-
Cash used in investing activities	(38,423)	(79,274)
Cash flows from financing activities		
Payment of long term debt	(38,635)	(8,245)
Contributions and investment income restricted by donors	51,392	73,466
Transfers to related parties	(48,050)	(36,574)
Cash (used in) provided by financing activities	(35,293)	28,647
Net increase in cash and cash equivalents	44,037	77,335
Cash and cash equivalents		
Beginning of period	354,157	276,822
End of period	$ 398,194	$ 354,157
Supplemental disclosures of cash flow information		
Interest paid, net of amounts capitalized	$ 34,644	$ 36,072
Income taxes (refunded) paid	(704)	216
Noncash activities		
Increase (decrease) in accounts payable related to purchases of property and equipment	$ 1,087	$ (16,669)
Donated securities received	6,264	13,300

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

(in thousands of dollars)

1. Organization

Lucile Salter Packard Children's Hospital at Stanford ("LPCH") operates a licensed acute care pediatric and obstetric hospital on The Leland Stanford Junior University ("University") campus in Palo Alto, California and operates several inpatient care units on its license in nearby community hospitals. LPCH also operates outpatient physician clinics in its facilities and other community settings.

The Board of Trustees of the University is the sole corporate member of LPCH and Stanford Health Care ("SHC"). LPCH has 5,479 full time and part time employees as of August 31, 2021.

LPCH and SHC are the primary clinical affiliates of the Stanford University School of Medicine (the "Stanford School of Medicine") for internship and residency programs, clinical research and other programs that support the Stanford School of Medicine's academic mission. Within the Stanford School of Medicine, the Pediatric and Obstetrics Faculty Practice Organization ("FPO") exists to advance the missions of the Stanford School of Medicine and LPCH where they intersect in the delivery of professional medical services.

The related party transactions between LPCH, SHC, the University and the Stanford School of Medicine are described further in Note 12.

In 2011, LPCH, together with the Stanford School of Medicine, formed Packard Children's Health Alliance ("PCHA"), a nonprofit medical foundation corporation, which is affiliated with Packard Medical Group, Inc. (the "Packard Medical Group"), a physician-owned for-profit California professional corporation. The Stanford School of Medicine and LPCH are the members of PCHA, and appoint directors to the governing board. The bylaws of PCHA afford control of PCHA to LPCH and therefore, the activities of PCHA have been included in the consolidated financial statements of LPCH. There is a professional services agreement between PCHA and Packard Medical Group. Physicians who provide services through PCHA are all and must be employees of the Packard Medical Group and PCHA assumes responsibility for all aspects of the physicians' practice, including employee practice staff.

PCHA has been organized to operate community based pediatric specialty and subspecialty and obstetrics practices throughout the San Francisco Bay Area. The objectives of PCHA are to support the overall network by building a presence in growing service areas, expanding education and clinical research programs, and enhancing the quality and coordination of care across different care settings. As of August 31, 2021, PCHA includes approximately 183 physicians and other providers at 28 practices in 44 locations around the San Francisco Bay Area. PCHA also operates six specialty services centers in Brentwood, Capitola, Emeryville, Fremont, Monterey and Walnut Creek. LPCH has entered into a sponsorship agreement with PCHA, wherein LPCH has agreed to provide funding for the development and the operation of PCHA's physician practices.

LPCH, together with PCHA, the Packard Medical Group and the FPO, comprise and are known in the marketplace as "Stanford Children's Health."

Effective September 1, 2016, LPCH became the sole member of Lucile Packard Foundation for Children's Health ("LPFCH"), a public charity, founded in 1996, whose mission is to elevate the priority of children's health and increase the quality and accessibility of children's healthcare through leadership and direct investment. LPFCH pursues its mission through two distinct and

(in thousands of dollars)

complementary programs: (1) fundraising (development) for LPCH and the pediatric programs at the Stanford School of Medicine and (2) grant-making and public information and educational programs to promote the health and well-being of children through statewide and local partnerships and to raise awareness about children's health issues. The bylaws of LPFCH afford control of LPFCH to LPCH and therefore, the activities of LPFCH are included in the consolidated financial statements and footnotes of LPCH.

Effective September 1, 2002, LPCH and SHC entered into an agreement whereby LPCH became a member of the Stanford University Medical Indemnity Trust, a not-for-profit, tax-exempt corporation that is a captive insurance carrier. SUMIT Holding International, LLC ("SHI") is the sole owner of SUMIT Insurance Company Ltd. ("SUMIT") and Stanford University Medical Network Risk Authority, LLC ("SRA"). SHC and LPCH are the owners of SHI. LPCH's share of SUMIT net assets was approximately 22.5% and 22.2% for the years ended August 31, 2021 and 2020, respectively. LPCH's ownership in SUMIT is accounted for using the equity method. As of August 31, 2021 and 2020, LPCH had an investment of $20,593 and $14,366 in SUMIT, respectively, which is reflected on the Consolidated Balance Sheets in equity method investments and other assets.

SRA was formed on September 19, 2012 and began operations on December 1, 2012. SRA provides risk management services to SHI, the owners of SHI, and other affiliated and unaffiliated parties and serves as attorney-in-fact to Professional Exchange Insurance Company ("PEAC"). LPCH's ownership interest in SRA was 18% for the year ended August 31, 2021 and 2020. LPCH's ownership in SRA is accounted for using the equity method. LPCH's investment in SRA was a gain of $24 and a loss of $96 for the years ended August 31, 2021 and 2020, respectively, which is reflected on the Consolidated Balance Sheets in equity method investments and other assets.

Professional Exchange Insurance Company ("PEAC"), a captive insurance carrier that entered into business with SRA on October 18, 2012, provides professional liability insurance coverage for physicians and other licensed healthcare practitioners of PCHA, University Healthcare Alliance (a subsidiary of SHC), and other affiliated parties. PCHA's share of net assets in PEAC was 43.1% and 40.6% for the years ended August 31, 2021 and 2020, respectively. PCHA's ownership in PEAC is accounted for using the equity method. PCHA had an investment of $3,071 and $3,106 for the years ended August 31, 2021 and 2020, respectively, which is reflected on the Consolidated Balance Sheets in equity method investments and other assets.

On September 1, 2006, LPCH and the University entered into a Professional Services Agreement ("PSA") pursuant to which the University assigned to LPCH the right to bill and collect all revenue related to pediatric and obstetric practices on behalf of the Stanford School of Medicine. The latest amendment was adopted as of September 1, 2016, and it is in effect for six years through August 31, 2022.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements are prepared on the accrual basis of accounting.

(in thousands of dollars)

Net assets of LPCH and subsidiaries and changes therein have been classified and are reported as follows:

- ***Net assets without donor restrictions–***Net assets without donor restrictions represent those resources of LPCH and subsidiaries that are not subject to donor-imposed stipulations. The only limits on net assets without donor restrictions are broad limits resulting from the nature of LPCH and subsidiaries and the purposes specified in its articles of incorporation or bylaws and limits resulting from contractual agreements, if any.

- ***Net assets with donor restrictions–***Net assets with donor restrictions represent contributions, which are a) subject to donor-imposed restrictions that can be fulfilled by actions of LPCH pursuant to those stipulations or by the passage of time or b) subject to donor-imposed restrictions that they be maintained by LPCH in perpetuity. Generally, the donors of these assets permit LPCH to use all or part of the investment return on these assets.

Expenses are reported as decreases in net assets without donor restrictions. Donor-imposed restrictions expire when the stipulated time period has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Restricted contributions are recorded as net assets with donor restrictions when received. When the restriction expires, the net assets are shown as released from restriction in the Consolidated Statements of Operations and Changes in Net Assets. Income earned on net assets with donor restrictions for which that income is restricted for a stipulated purpose is recorded in net assets with donor restrictions. When income is made available for release and when the restriction is deemed to have been met, those amounts are included in net assets released from restrictions in the Consolidated Statements of Operations and Changes in Net Assets.

Transfers to Related Parties
Certain amounts previously received from donors have been transferred to related parties.

Cash and Cash Equivalents
Cash and cash equivalents consist primarily of demand deposits and money market mutual funds with an original maturity of three months or less when purchased. These amounts are carried at cost which approximates fair value. The Federal Deposit Insurance Corporation, or FDIC, insures a corporation's funds deposited in a bank up to a maximum of $250 in the event of a bank failure. As of August 31, 2021, our cash and cash equivalents held in bank deposits exceeded the FDIC insured amount. We have not experienced any losses in relation to cash and cash equivalents in excess of FDIC insurance limits.

Contributions Receivable
Contributions are recorded at fair value at the date the promise is received. Donations for specific purposes are reported as net assets with donor restrictions and are included as restricted contributions. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved and applicable to the years in which the promises are received and recorded in their respective net asset category. The discount rates used during the years ended August 31, 2021 and 2020 were determined using the average corporate AAA bond rate as of the fund's gift date. Amortization of the discount is included in contribution revenue in the Consolidated Statements of Operations and Changes in Net Assets. Conditional promises to give are recognized when the condition is substantially met.

(in thousands of dollars)

Other Receivables
Other receivables are comprised of nonpatient related receivables for medical services provided.

Investments
Investments held directly by LPCH and its subsidiaries consist primarily of mutual funds that are stated at fair value. Investment earnings (including unrealized gains and losses on investments, realized gains and losses, interest, and dividends on investment securities) are included in income and gains from University managed pools and other in the Consolidated Statements of Operations and Changes in Net Assets unless the income or loss is restricted by donor or law. Income on investments of donor restricted funds is added to or deducted from net assets with donor restrictions.

Investments in University Managed Pools
Investments in University managed pools consist of funds invested in the University's Merged Pool ("MP"). The value of its share of the MP is determined by the University and is based upon the fair value of the underlying assets held in the MP. Earnings include distributions and increases or decreases in the value of LPCH's share of the pool. LPCH may deposit funds in the MP at its discretion; however, withdrawals require advance notice. All investment gains and losses and the increases or decreases in the share value are treated as unrealized and included in the excess of revenues over expenses, unless the income is restricted by donor or law.

Board Designated Funds
LPCH has $164,414 of Board Designated Funds. The funds are approved by either LPCH's board of directors for future investments in facilities, programs, and services, or by LPCH's or LPFCH's board of directors as board designated funds functioning as an endowment for long-term investment that is intended to provide an inflation-adjusted total return, net of investment management fees, at least equal to the contemplated spending rate of 5% to 5.5% over time.

Beneficial Interest in Trusts
Beneficial interest in trusts represent gifts for which LPCH or LPFCH is the trustee and the remainder beneficiary of certain charitable remainder trusts, where the trust assets are invested and administered by outside trustees. Beneficiaries sustain a lifetime interest in a portion of the trust income. Investments held in these trusts are carried at fair value. The discount rate used during the years ended August 31, 2021 and 2020 were determined using the Treasury bill rate. The related liabilities are based on estimated future cash receipts discounted at 1.16% and 0.69% for the years ended August 31, 2021 and 2020, respectively. Additionally, LPCH is the sole beneficiary of a perpetual trust that is carried at the fair market value of the trust. Income from the trust (interest, net of fees) is distributed to LPCH and included in interest income.

Liquidity
LPCH actively manages its liquidity, to ensure organization's financial obligations can be satisfied. Operating liquidity is monitored daily and reported periodically to senior management and the Board. Liquidity is inclusive of cash and cash equivalents, operating current assets expected to be liquidated for general expenditure needs within one year or less, and investments held. Investments have varying liquidation requirements, depending on the investments and trustee.

(in thousands of dollars)

Financial assets and liquid resources available within one year of the balance sheet date for general expenditures as of August 31, 2021 and 2020, in thousands of dollars, is as follows:

	2021	2020
Financial assets		
Cash and cash equivalents	$ 398,194	$ 354,157
Accounts receivable	579,760	467,612
Contributions receivable available for operations	12,564	10,733
Other receivables	38,023	45,685
Investments available for current use	788,068	603,016
Financial assets available to meet cash needs for general expenditure within one year	$ 1,816,609	$ 1,481,203

As of August 31, 2021, in addition to the above resources, LPCH has $200,000 available credit in a revolving credit agreement with Bank of America.

Property and Equipment
Property and equipment are stated at cost except for donated assets, which are recorded at fair market value at the date of donation. LPCH and its subsidiaries capitalize certain internal costs of computer software developed or obtained for internal use. Depreciation and amortization of property and equipment is computed using the straight-line method over the estimated useful lives, which are as follows:

Land and improvements	5 to 25 years
Buildings and improvements	3 to 50 years
Equipment	3 to 20 years
Land agreements	40 to 57 years

Significant replacements and improvements are capitalized, while maintenance and repairs, which do not improve or extend the life of the respective assets, are charged to expense as incurred. Upon sale or disposal of property and equipment, the cost and accumulated depreciation are removed from the respective accounts, and any gain or loss is included in the Consolidated Statements of Operations and Changes in Net Assets.

LPCH and its subsidiaries hold several land agreements, also classified as property and equipment. These land agreements are amortized on a straight-line basis over the term of the agreements and are reflected as depreciation and amortization in the Consolidated Statements of Operations and Changes in Net Assets.

Interest costs incurred on borrowed funds during the period of construction of capital assets are capitalized, net of any interest earned, as a component of the cost of acquiring the asset.

Leases
ASC 842 was adopted on September 1, 2019. LPCH's lease portfolio primarily consists of operating leases for real estate and equipment. LPCH determines if an arrangement is or contains a lease at the lease inception date by evaluating whether the arrangement conveys the right to use an identified asset and whether LPCH obtains substantially all of the economic benefits from and

(in thousands of dollars)

has the ability to direct the use of the asset. Leases with initial term of twelve months or less are not recorded on the consolidated balance sheets. LPCH recognizes operating expense for leases on a straight-line basis over the lease term.

LPCH uses its incremental borrowing ("IBR") rate to determine the present value of lease payments. The IBR is calculated by utilizing the daily treasury yield curve rates, as published by the U.S. Department of the Treasury, adjusted with a risk base spread. LPCH updates the rate quarterly and utilizes the treasury rate yields as of the first business day of each quarter for all new leases entered during that quarter. Rates are in 1 year increments up to 10 years. All leases in excess of 10 years utilize the 10-year rate.

In addition, LPCH's real estate leases generally require payment of real estate taxes, common area maintenance and insurance, which are generally variable and based on actual costs incurred by the lessor. These variable payments are expensed as incurred as variable lease costs. LPCH's lease agreements do not contain any material residual value guarantees or material restrictive financial covenants. LPCH has lease agreements with lease and nonlease components, which are accounted for separately for real estate leases and together as a single lease component for nonreal estate leases.

Impairment and Disposition of Long-Lived Assets
Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Equity Method Investments and Other Assets
Equity method investments and other assets includes ownership interest in SUMIT, SRA, PEAC, and third-party investments in hospital related joint ventures, deposits with vendors, and goodwill. Investments in hospital related joint ventures where LPCH owns between 20 and 50 percent are accounted for under the equity method as LPCH has the ability to exercise significant influence over operating and financial policies of the joint venture, but does not have the controlling financial interest. Equity method investments comprises $43,666 and $31,748 of equity method investments and other assets on the Consolidated Balance Sheets as of August 31, 2021 and 2020, respectively. Earnings from equity method investments were $16,399 and $4,923 and is included in other revenue in the Consolidated Statements of Operations and Changes in Net Assets in the periods ended August 31, 2021 and 2020.

In relation to goodwill, LPCH performs an impairment analysis at the reporting unit level when events occur that require an evaluation to be performed, or at least annually in the fourth quarter. If the carrying value of goodwill or indefinite lived intangible assets are determined to be impaired, or if the carrying value of a business that is to be sold or otherwise disposed of exceeds its fair value, then the carrying value is reduced, including any allocated goodwill, to fair value. Estimates of fair value are based on appraisals, established market prices for comparative assets or internal estimates of future net cash flows based on projected performance, depending on circumstances.

(in thousands of dollars)

No impairment of goodwill is included in the accompanying Consolidated Statement of Operations and Changes in Net Assets for the years ended August 31, 2021 or 2020. The amortization period of goodwill has been determined to be 10 years. All current goodwill will be amortized over this period and additional goodwill will be evaluated as incurred.

Compensated Absences
In accordance with formal policies concerning vacation and other compensated absences, accruals of $73,280 and $55,821 were recorded as of August 31, 2021 and 2020, respectively, and are included in accrued salaries and related benefits.

Long-Term Debt
Premiums arising from the original issuance of long-term debt are amortized on the effective interest method, over the life of the debt. The unamortized portion of these premiums is included in long-term debt.

Deferred debt issuance costs represent costs incurred in conjunction with the issuance of LPCH's long-term debt. These costs are amortized on the effective interest method, over the life of the debt.

Excess of Revenues over Expenses
The Consolidated Statements of Operations and Changes in Net Assets include excess of revenues over expenses. Changes in net assets without donor restrictions which are excluded from excess of revenues over expenses include permanent transfers of assets to and from affiliates for other than goods and services, contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets), and adjustment for minimum pension liability.

Net Patient Service Revenue
Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors including Medi-Cal and others for services rendered. The contractual commitments and laws and regulations governing the payment for services for government (Medi-Cal and Medicare) and commercial payors are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Generally, LPCH bills the patients and third-party payors shortly after discharge or when the service is performed. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided to patients. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected or actual charges. Performance obligations satisfied over time relate to patients receiving inpatient acute care services. The performance obligation is measured from admission into the hospital to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge. These services are considered to be a single performance obligation. Revenue for performance obligations satisfied at a point in time is recognized when services are rendered to the patient and LPCH does not believe it is required to provide additional services to the patient.

(in thousands of dollars)

The transaction price is based on standard charges for services provided to patients, reduced by applicable contractual adjustments, discounts to under and uninsured patients, and implicit pricing concessions. The estimates of contractual adjustments and discounts are based on contractual agreements, discount policy, and historical collection experience. The process for estimating the ultimate collectability of receivables involves historical collection experience, changes in contracts with payors, and significant assumptions and judgment.

Charity Care and Community Benefits
LPCH provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Amounts determined to qualify as charity care are not reported as net patient service revenue. LPCH also provides services to patients under Medi-Cal and other publicly sponsored programs, which reimburse at amounts less than the cost of the services provided to the recipients. Such amounts are considered community benefits.

Self-Insurance Reserves and Other Liabilities
LPCH self-insures for professional, general, and cyber liability risks, postretirement medical benefits, health, dental and vision, and workers' compensation. These liabilities are reflected as self-insurance reserves on the Consolidated Balance Sheets.

- ***Liability*** – LPCH is self-insured through SUMIT (LPCH and SHC Captive Insurance Company) for professional liability, general liability, and cyber liability losses under claims-made coverage. LPCH also maintains liability reserves for claims not covered by SUMIT which totals $2,894 and $2,832 for the years ended August 31, 2021 and 2020, respectively. For the policy years September 1, 2014 to September 1, 2021, SUMIT retains 100% of the general and professional liability risk related to the first $15,000 per occurrence subject to $25,000 aggregate for policy years September 1, 2014 to September 1, 2020 and $27,000 aggregate for policy years September 1, 2020 to September 1, 2021. In the year ended August 31, 2017, SUMIT began purchasing a "buffer" layer that reduces SUMIT's liability for the first claim from $15,000 to $10,000 per occurrence and reduces the aggregate from $25,000 to $20,000. The next $165,000 is transferred to various reinsurance companies rated "A" or better by AM Best rating agency.

  For the policy years September 1, 2016 to September 1, 2021, SUMIT retains 100% of cyber liability risk in the amount of $1,250. For policy years September 1, 2020 to September 1, 2021, the next $90,000 is transferred to various reinsurance companies rated "A" or better by AM Best rating agency. Policy years September 1, 2016 to September 1, 2019 maintain levels of reinsurance between $50,000 and $75,000.

- ***Postretirement Medical Benefits*** – Liabilities for post-retirement medical claims for current and retired employees are actuarially determined by SHC and allocated to LPCH.

- ***Health, Dental and Vision*** – Liabilities for health, dental and vision claims for current employees are actuarially determined.

- ***Workers' Compensation*** – LPCH purchases insurance for workers' compensation claims with a $750 deductible per occurrence. Workers' compensation insurance provides statutory limits for the State of California. An actuarial estimate of retained losses (or losses retained within the deductible) has been used to record a liability.

(in thousands of dollars)

Fair Value of Financial Instruments
Due to the short-term nature of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and accrued salaries and related benefits, their carrying value approximates their fair value.

Transactions with the University
LPCH enters into various transactions with the University. LPCH records expense transactions where direct and incremental economic benefits are received by LPCH. Certain expenses are allocated from the University to LPCH. Allocated expenses reported as operating expenses in the Consolidated Statements of Operations and Changes in Net Assets are management's best estimates of LPCH's arms-length payment of such amounts for its market specific circumstances. To the extent that payments to the University exceed an arms-length estimated amount relative to the benefit received by LPCH, they are recorded as transfers to the University.

Concentration of Credit Risk
Financial instruments, which potentially subject LPCH and its subsidiaries to concentrations of credit risk, consist principally of cash and cash equivalents, patient accounts receivable, and investments in University managed pools and other (Note 7).

LPCH and its subsidiaries invest its cash and cash equivalents in highly rated financial instruments including insured deposits. As of August 31, 2021, LPCH and its subsidiaries have invested its cash and cash equivalents with a financial institution in excess of federal depository insurance limits.

LPCH and its subsidiaries concentration of credit risk relating to patient accounts receivable is limited by the diversity and number of the patients and payers. Patient accounts receivable consists of amounts due from governmental programs, commercial insurance companies, private pay patients, and other group insurance programs.

Meaningful Use Funds
LPCH is participating in the Medicare and Medicaid Electronic Health Records Incentive Programs ("EHR"), which provides payments to eligible professionals, eligible hospitals and critical access hospitals as they adopt, implement, upgrade or demonstrate meaningful use of certified Electronic Health Records technology. LPCH recognized $451 and $51 in other revenue in the Consolidated Statements of Operations and Changes in Net Assets under these programs for the years ended August 31, 2021 and August 31, 2020, respectively.

Use of Estimates
The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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. The most significant estimates relate to patient accounts receivable and self-insurance reserves. Actual results may differ from those estimates.

Income Taxes
LPCH, PCHA, and LPFCH are California not-for-profit corporations and have been recognized as tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code.

(in thousands of dollars)

The Tax Cuts and Jobs Act ("TCJA") was signed into law on December 22, 2017 and enacted a number of provisions which each became effective for LPCH in various fiscal years, including increasing unrelated business taxable income ("UBTI") by amounts paid or incurred for qualified transportation fringe benefits provided to employees, and new excise taxes on executive compensation and net investment income. The University is subject to a 1.4% excise tax on its net investment income as defined under the Internal Revenue Code which, among other things, includes net investment income of certain related entities such as LPCH.

The Taxpayer Certainty and Disaster Tax Relief Act of 2019 (the "Act") was signed into law on December 20, 2019 and retroactively repealed the provision added by the TCJA related to the increase in UBTI for qualified transportation fringe benefits provided to employees.

The potential implications of the Act are complex and interpretative guidance is still developing. LPCH continues to evaluate the impact of the Act on current and future tax positions.

Accounting Pronouncements
LPCH and its subsidiaries adopt new standards on a consolidated basis.

The FASB Accounting Standards Codification ("ASC") is the sole source of authoritative nongovernmental U.S. generally accepted accounting principles.

Recently Adopted Accounting Pronouncements

- ***Fair Value of Financial Instruments***
  In August 2018, the FASB issued an update which adds, modifies, and removes certain fair value measurement disclosure requirements. The portion of this guidance that modifies and removed fair value disclosure requirements was early adopted in fiscal year 2019. The remaining guidance was adopted in fiscal year 2021 (see Note 7). The update is included in the consolidated financial statements for fiscal years 2021 and 2020. The adoption did not have a material impact on the consolidated financial statements.

Future Accounting Pronouncements

- ***Defined Benefit Plans Disclosures***
  In August 2018, the FASB issued an update which adds, removes, and clarifies disclosure requirements related to defined benefit pension and other postretirement plans. The guidance is effective for fiscal year 2022. LPCH and its subsidiaries are currently evaluating the impact that this guidance will have on its consolidated financial statements.

- ***Contributed Nonfinancial Assets***
  In September 2020, the FASB issued an update which provides enhanced presentation and disclosure requirements for contributed nonfinancial assets for not-for-profit entities including additional disclosure requirements for recognized contributed services. Contributed nonfinancial assets should be presented in a separate line item in the *Consolidated Statement of Operations and Changes in Net Assets* apart from cash contributions. Additional disclosures are required about qualitative information, policy (if any) on monetizing rather than utilizing, donor-imposed restrictions and fair value measurement of contributed nonfinancial assets. The guidance is effective for fiscal year 2022. LPCH and its subsidiaries are currently evaluating the impact that this guidance will have on its consolidated financial statements.

(in thousands of dollars)

- ***Reference Rate Reform***
  In March 2020, the FASB issued an update which provides optional expedients for applying GAAP to contracts and other transactions that reference LIBOR or other reference rates that are expected to be discontinued because of reference rate reform. The amendments also permits an entity to consider contract modifications due to reference rate reform to be an event that does not require contract remeasurement. The guidance is effective for fiscal year 2022. LPCH and its subsidiaries are currently evaluating the impact that this guidance will have on its consolidated financial statements.

- ***Cloud Computing Arrangements***
  In August 2018, the FASB issued an update which allows capitalization of implementation costs incurred in a cloud computing arrangement that is a service contract in a manner that is consistent with the capitalization of implementation costs incurred to develop or obtain internal-use software. The guidance is effective for fiscal year 2022. LPCH and its subsidiaries are currently evaluating the impact that this guidance will have on its consolidated financial statements.

3. Net Patient Service Revenue

LPCH and PCHA have agreements with third-party payors that provide for payments at amounts different from LPCH's established rates. A summary of payment arrangements with major third-party payors are as follows:

- ***Medi-Cal*** – Since July 1, 2013, inpatient services rendered to State and Managed Medi-Cal program beneficiaries are reimbursed using an All Patient Refined-Diagnosis Related Group (APR-DRG) methodology. Outpatient services are reimbursed based upon prospectively determined fee schedules.

  In addition, Disproportionate Share ("DSH") is another Medi-Cal program that provides for supplemental funding when a hospital is considered by the State to have relatively more Medi-Cal utilization than the norm. LPCH must re-qualify for DSH annually. LPCH did not qualify for DSH in 2021 nor 2020.

- ***CCS*** – The California Children's Services ("CCS") Program is a partnership between state and counties that provides medical case management for children in California diagnosed with serious chronic diseases. Currently, approximately 70 percent of CCS-eligible children are also Medi-Cal eligible. The Medi-Cal program reimburses their care. The cost of care for the other 30 percent of children is split equally between CCS Only and CCS Healthy Families. Reimbursement from these programs to providers is through APR-DRG methodology for inpatient services. Outpatient services are reimbursed based upon prospectively determined fee schedules. A portion of the CCS Only children also have other forms of coverage, such as commercial insurance. For these children, CCS is secondary to the commercial insurance or other form of coverage and is intended to limit the financial burden on families and children with chronic conditions.

- ***HMO/PPO and Other*** – Managed care contracts such as those with HMOs and PPOs reimburse LPCH at per diem rates or a percent of charges basis, which are less than full charges.

(in thousands of dollars)

Net patient service revenue (which for Medi-Cal includes Medi-Cal Fee-For-Service, Medi-Cal Managed Care payments, CCS, and provider fee revenue) for the years ended August 31 is as follows:

	2021	2020
Medi-Cal	$ 391,598	$ 375,499
HMO/PPO	1,537,861	1,362,432
Other	209,257	145,931
	$ 2,138,716	$ 1,883,862

Amounts due from Blue Cross and the State of California's Medi-Cal program represent the following of net patient accounts receivable at August 31:

	2021	2020
Blue Cross	26 %	28 %
Medi-Cal	12	15

LPCH and PCHA do not believe significant credit risks exist with these payors.

Hospital Quality Assurance Fee Program
The State of California enacted SB 239 in October 2013 which established the Hospital Quality Assurance Fee ("QAF") and Hospital Fee programs for January 1, 2014 through December 31, 2016. Subsequently, California's participation in the provider fee programs, as authorized under federal regulations, has been made permanent by the passage of Proposition 52. However, no programs beyond the July 1, 2019 through December 31, 2021 program have been approved at the Federal level by Centers for Medicare & Medicaid Services ("CMS").

CMS has approved, and LPCH has recognized as revenue supplemental payments related to the following programs and periods:

- Managed care programs for January 1, 2014 through June 30, 2017
- Fee-for-service programs for January 1, 2017 through December 31, 2021 (recorded through August 31, 2021)

For the years ended August 31, 2021 and 2020, respectively, LPCH recognized $65,992 and $80,604 in operating revenue for Medi-Cal Fee-For-Service ("FFS") and Managed Care supplemental payments provided for under the California provider fee programs.

For the years ended August 31, 2021 and 2020, respectively, LPCH recognized $20,553 and $23,845, in operating expense for QAF paid to California Department of Health Care Services ("DHCS").

(in thousands of dollars)

Portions of the managed care programs for July 1, 2017 through December 31, 2021 are awaiting CMS approval and therefore have not been recognized as revenue. The revenue from these and future managed care programs are bifurcated between pass through payments, based on modeled amounts using historical data, and directed payments, based on patient encounters during the period of the program.

For the years ended August 31, 2021 and 2020, respectively, LPCH recognized $108,884 and $57,236, in accrued liabilities related to deferred revenue received, and $26,850 and $14,075 in prepaid expenses related to fees paid under the unapproved provider fee programs to date.

4. Charity Care and Community Benefits

LPCH and its subsidiaries are committed to advocacy, outreach, education, and research to improve the health status of children and pregnant women. LPCH and its subsidiaries continually reaffirm its commitment to its community by developing innovative programs to enhance its own and the community's capacity to care for children and pregnant women. These programs include:

- Health Professions Education
- Graduate Medical Education
- Social Services Internships
- Community Programs
- Mobile Adolescent Health Services
- Perinatal Outreach Programs
- Support to Ravenswood Family Health Center
- Child Safety & Inquiry Presentation Programs
- Pediatric Weight Control Programs
- CareAVan
- Community Health Education
- Family and Children Health Advocacy

For the years ended August 31, 2021 and 2020, respectively, charity care at established rates were $3,626 and $5,044, respectively.

LPCH and its subsidiaries direct charity care and uncompensated costs of medical services to government-covered patients for the years ended August 31 is as follows:

	2021	2020
Estimated cost of charity care	$ 809	$ 1,236
Estimated cost of medical services provided to government-covered patients (not including Medicare)	216,578	259,452
	$ 217,387	$ 260,688

The decrease in the estimated cost of Medi-Cal services provided to government covered patients (not including Medicare) in the year ended August 31, 2021 was due to lower volume of Medi-Cal utilization. The estimated uncompensated cost of Medi-Cal services provided to government covered patients does not include offset of funds from the QAF program. Additionally, LPCH invests in improving the health of children of San Mateo and Santa Clara counties primarily by providing health professional education and community health services.

(in thousands of dollars)

5. Contributions Receivable

Contributions receivable and contribution revenue are included in the financial statements in the appropriate net asset category. Contributions are recorded at the discounted net present value of the future cash flows, using discount rates ranging from 1.5% to 5.3% for 2021 and 1.4% to 5.3% 2020.

Contributions receivable at August 31 are expected to be realized in the following periods:

	2021	2020
In one year or less	$ 79,879	$ 40,841
Between one year and five years	58,269	55,139
More than five years	25,237	25,658
	163,385	121,638
Less: Discount	(8,512)	(10,317)
Less: Reserves for uncollectible pledges	(1,777)	(1,875)
Total contributions receivable, net	153,096	109,446
Less: Current portion	(79,329)	(39,774)
Contributions receivable, net of current periods	$ 73,767	$ 69,672

Contributions receivable at August 31 are to be utilized for the following purposes:

	2021	2020
Plant replacement and expansion	$ 114,015	$ 72,761
Clinical services	15,467	12,982
Education	3,382	5,367
Research	19,584	18,336
Indigent Care and Other	648	-
	$ 153,096	$ 109,446

Conditional pledges depend on the occurrence of a specified future or uncertain event. There were no conditional pledges as of August 31, 2021 and 2020, respectively.

(in thousands of dollars)

6. Investments and Investments in University Managed Pools

The composition of investments held by LPCH and its subsidiaries at August 31 is as follows:

	2021	
	Cost	**Fair Value**
Board designated funds	$ 118,883	$ 153,162
Board designated funds in University managed pools	11,252	11,252
Board designated funds - subtotal	130,135	164,414
Mutual funds	89,443	89,872
Beneficial interest in investments in University managed pools	439,495	1,081,284
Investments and investments in University managed pools and other	$ 659,073	$ 1,335,570

	2020	
	Cost	**Fair Value**
Board designated funds	$ 116,638	$ 118,883
Board designated funds in University managed pools	11,204	11,204
Board designated funds - subtotal	127,842	130,087
Mutual funds	90,569	88,396
Beneficial interest in investments in University managed pools	430,658	800,731
Investments and investments in University managed pools and other	$ 649,069	$ 1,019,214

LPFCH has board designated funds functioning as an endowment approved by LPFCH's board of directors for long term investments. As of August 31, 2021 and 2020, the balance of LPFCH board designated funds functioning as an endowment was $153,162 and $118,883, respectively.

LPCH board designated funds, board designated funds functioning as an endowment, short-term investments and other noncurrent investment funds are invested in University Merged Pool ("MP"), holding a variety of investments, which consist of cash and cash equivalents, government and corporate debt securities, equity securities and mutual funds, real estate, investment in partnerships, and other.

Gains on LPCH's beneficial interest in investments in University Merged Pool of $163,409 and $34,320 for the years ended August 31, 2021 and 2020, respectively, represent the change in the fair value of LPCH's share of the MP.

The MP is the primary investment pool in which funds are invested. The MP is invested with the objective of maximizing long-term total return. It is a unitized pool in which the fund holders

(in thousands of dollars)

purchase investments and withdraw funds based on a monthly share value. The composition of investments in MP as of August 31, 2021 and 2020 consist of the following:

	2021	2020
Assets		
Cash and cash equivalents	2 %	5 %
Fixed income	8	7
Public equities	26	23
Real estate	6	8
Natural resources	4	4
Absolute return	16	19
Private equities	38	34
	100 %	100 %

7. Fair Value Measurements

U.S. Generally Accepted Accounting Principles (GAAP) defines fair value as the price received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants and establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques used under U.S. GAAP must maximize the use of observable inputs to the extent available.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

Level 1 Quoted prices in active markets for identical assets or liabilities, at the reporting date, without adjustment. Market price data is generally obtained from relevant exchange or dealer markets.

Level 2 Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities. Inputs are obtained from various sources including market participants, dealers and brokers.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 investments also include investments with third parties as the trustees and thus not redeemable in net asset value per share.

A financial instrument's categorization within this hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

For alternative investments, which are principally interests in limited partnerships or similar investments in fixed income, private equities, real estate, natural resources, public equities and

(in thousands of dollars)

absolute return funds, the value is primarily based on the Net Asset Value (NAV) of the underlying investments. The NAV is reported by external investment managers in accordance with their policies as described in their respective financial statements and offering memoranda. The most recent NAV reported is adjusted for any investment-related transactions such as capital calls or distributions and significant known valuation changes of its related portfolio though August 31, 2021 and 2020, respectively. These investments are generally less liquid than other investments, and the value reported may differ from the values that would have been reported had a ready market for these investments existed.

The following table summarizes LPCH and its subsidiaries assets and liabilities measured at fair value as of August 31, 2021, based on the inputs used to value them.

	NAV	Level 1	Level 2	Level 3	Total
Assets					
Cash and cash equivalents	$ -	$ 401,409	$ -	$ -	$ 401,409
Public equities	46,947	13,363	7,026	-	67,336
Fixed income	2,301	91,350	5,813	-	99,464
Real estate	8,193	2,077	-	-	10,270
Natural resources	6,543	-	-	-	6,543
Private equities	43,086	-	-	-	43,086
Absolute return	26,232	-	-	-	26,232
Assets held by other trustees	-	-	-	19,650	19,650
Investments in University's Merged Pool	1,092,536	-	-	-	1,092,536
Assets subject to fair value leveling	$ 1,225,838	$ 508,199	$ 12,839	$ 19,650	$ 1,766,526

The following table presented the 2021 activities of financial instruments of which fair value measurement is using Level 3 inputs:

Balance at September 1, 2020	$ 16,889
Realized losses	(590)
Unrealized gains	3,228
Charitable trusts	123
Balance at August 31, 2021	$ 19,650

The following table summarizes LPCH and its subsidiaries assets and liabilities measured at fair value as of August 31, 2020, based on the inputs used to value them.

	NAV	Level 1	Level 2	Level 3	Total
Assets					
Cash and cash equivalents	$ -	$ 357,070	$ -	$ -	$ 357,070
Public equities	40,458	10,004	4,348	-	54,810
Fixed income	-	92,492	4,941	-	97,433
Real estate	6,274	1,625	-	-	7,899
Natural resources	7,184	-	-	-	7,184
Private equities	26,389	-	-	-	26,389
Absolute return	21,055	912	-	-	21,967
Assets held by other trustees	-	-	-	16,889	16,889
Investments in University's Merged Pool	811,935	-	-	-	811,935
Assets subject to fair value leveling	$ 913,295	$ 462,103	$ 9,289	$ 16,889	$ 1,401,576

The following table presented the 2020 activities of financial instruments of which fair value measurement is using Level 3 inputs:

(in thousands of dollars)

Balance at September 1, 2019	$	15,275
Realized losses		(101)
Unrealized gains		1,883
Charitable trusts		(168)
Balance at August 31, 2020	$	16,889

The following table summarizes the significant unobservable inputs and valuation methodologies for Level 3 investments as of August 31, 2021 and 2020. For each investment category and respective valuation technique, the range of significant unobservable inputs is dependent on the nature and characteristics of the investment and may vary at each balance sheet date.

Investment Categories	Total Fair Value	Investments using Significant Unobservable Inputs	Valuation Technique	Significant Unobservable Inputs	Range Min	Range Max	Weighted Average	Impact to Valuation from an Increase in Input
2021								
Assets held by other trustees	$ 19,650	$ 450	Net present value	Discount rate	0.06%	1.94%	1.16%	Decrease
Total Amount With Significant Unobservable Inputs	$ 19,650	$ 450						
2020								
Assets held by other trustees	$ 16,889	$ 34	Net present value	Discount rate	0.11%	1.37%	0.69%	Decrease
Total Amount With Significant Unobservable Inputs	$ 16,889	$ 34						

The following table identifies attributes relating to the nature and risk of investments for which fair value is determined using a calculated NAV as of August 31, 2021:

Asset Class	Fair Value	Unfunded Commitment	Redemption Terms
Public equities	$ 46,947	$ -	Redeemable $35,944: redemptions are from 1 to 90 days and require 7 to 90 days prior notification; Not eligible for redemption: $11,003
Fixed income	2,301	-	Redeemable monthly with 5 days notification
Real estate	8,193	-	Redeemable with 8 to 30 days prior notification
Natural resources	6,543	2,392	Not eligible for redemption
Private equities	43,086	12,157	Not eligible for redemption
Absolute return	26,232	-	Redeemable $22,113: redemptions are from 1 to 12 months with 45 to 90 days prior notification; Not eligible for redemption: $4,119
	$ 133,302	$ 14,549	

8. Property and Equipment

Property and equipment consist of the following as of August 31, 2021 and 2020:

(in thousands of dollars)

	2021	2020
Land and improvements	$ 32,083	$ 32,083
Buildings and improvements	1,930,883	1,924,900
Equipment	483,032	469,868
Land agreements	88,522	88,522
	2,534,520	2,515,373
Less: Accumulated depreciation	(797,959)	(702,033)
Construction-in-progress	39,446	27,558
Property and equipment, net	$ 1,776,007	$ 1,840,898

Land agreements accumulated amortization totals $19,039 and $17,272 for the years ended August 31, 2021 and 2020, respectively.

Total depreciation and amortization expense for the years ended August 31, 2021 and 2020, is $109,341 and $121,130, respectively.

During 2021, LPCH conducted a facilities life assessment to determine the remaining useful life of its existing assets in accordance with its policy. The assessment resulted in a change to the estimated remaining life of certain building and improvements from 40 years to 50 years to better reflect the estimated periods during which these assets will remain in service. This change in estimate totaled approximately $6,440 and is reflected as a deduction to depreciation expense in the Consolidated Statement of Operations and Changes in Net Assets for the year ended August 31, 2021.

(in thousands of dollars)

9. Long-Term Debt

LPCH's outstanding debt at August 31 is summarized below:

	Fiscal Years of Maturity	Effective Interest 2021/2020	Outstanding Principal 2021	Outstanding Principal 2020
California Health Facilities Financing Authority				
Variable rate bonds				
Series 2014B	2034-2043	0.46%/0.50%	$ 100,000	$ 100,000
Fixed rate bonds				
Series 2017A	2019-2057	3.08%/3.06%	193,545	195,815
Series 2017A Premium			27,067	27,625
Series 2016A	2016-2033	2.42%/2.36%	57,310	60,630
Series 2016A Premium			8,935	9,964
Series 2016B	2052-2055	3.34%/3.34%	100,000	100,000
Series 2016B Premium			13,509	13,699
Series 2014A	2025-2043	3.84%/3.84%	100,000	100,000
Series 2014A Premium			6,290	6,576
S eries 2012A	2044-2051	4.32%/4.32%	200,000	200,000
Series 2012A Premium			8,585	8,871
Series 2012B	2013-2027	2.96%/2.91%	28,720	31,765
Series 2012B Premium			3,244	3,785
Line of Credit	2021	0.55%/0.56%	-	30,000
			847,205	888,730
Less: Current portion of long term debt			(9,045)	(38,635)
Less: Debt Issuance Cost			(7,244)	(7,519)
Long term debt			$ 830,916	$ 842,576

In 2003, LPCH entered into a master indenture of trust (the "LPCH Master Indenture") as the sole initial member of an obligated group ("LPCH Obligated Group"), the purpose of which is to provide for issuance of obligations ("Obligations") to secure indebtedness of the members of the LPCH Obligated Group on a joint and several basis.

Obligations issued under the LPCH Master Indenture are collateralized by a lien on the gross revenues of LPCH. The LPCH Master Indenture also includes various financial covenants, the most restrictive of which include maintenance of a minimum annual debt service coverage ratio, limitations on additional indebtedness, restrictions on the disposition or transfer of assets, mergers and entry into and withdrawal from the LPCH Obligated Group. During the year ended August 31, 2021, LPCH was in compliance with its financial covenants.

In July 2003, California Health Facilities Financing Authority ("CHFFA") issued, on behalf of LPCH, revenue bonds in the aggregate par amount of $115,000 (collectively, the "2003 Bonds"). The 2003 Bonds were comprised of $60,000 of Series A and B auction rate revenue bonds and $55,000 of Series C fixed rate revenue bonds.

In August 2008, CHFFA issued, on behalf of LPCH, three series of revenue bonds in the aggregate par amount of $93,450 (collectively, the "2008 Bonds"). The 2008 Bonds were comprised of

(in thousands of dollars)

Series A, B and C variable rate revenue bonds. Proceeds of the 2008 Bonds were used to redeem the 2003 Series A and B bonds, refinance an outstanding bank loan and pay a portion of the costs of issuance. The 2008 Bonds initially bore interest at a weekly rate, which reset every 7 days.

In March 2012, LPCH converted the 2008 Bonds from short term variable rate bonds into five-year fixed rate put bonds with no gain or loss.

In March 2012, CHFFA issued, on behalf of LPCH, two series of revenue bonds in the aggregate par amount of $251,045 (collectively, the "2012 Bonds"). The 2012 Bonds were comprised of $200,000 Series A bonds (at a premium of $11,288) and $51,045 Series B bonds (at a premium of $8,351), each series issued as fixed rate bonds. The rates for the Series B bonds are fixed and range from 3-5% over the life of the bonds. Proceeds of the 2012 Series A bonds primarily were used for financing the acquisition, construction, and expansion of the hospital and to pay a portion of the costs of issuance. Proceeds of the 2012 Series B bonds were used for the legal defeasance and redemption of 2003 Series C bonds and to pay a portion of the costs of issuance.

In May 2014, CHFFA issued, on behalf of LPCH, two series of revenue bonds in the aggregate par amount of $200,000 (collectively, the "2014 Bonds"). The 2014 Bonds were comprised of $100,000 Series A bonds and $100,000 Series B bonds. Proceeds of the 2014 Bonds were primarily used for financing the acquisition, construction, and expansion of the hospital and to pay a portion of the costs of issuance. The 2014 Series A bonds were issued as fixed rate bonds. The rates for the Series A bonds are fixed and range from 4-5% over the life of the bonds. The 2014 Series B bonds were issued in a floating index mode with monthly interest rate resets and were directly placed with The Northern Trust Company. The 2014 Series B bonds are not subject to remarketing or tender until May 8, 2024 and are classified as long-term liabilities.

In March 2016, CHFFA issued, on behalf of LPCH, two series of revenue bonds in the aggregate par amount of $176,975 (collectively, the "2016 Bonds"). The 2016 bonds were comprised of Series A and B revenue bonds. Proceeds of the 2016 Series A were used for the legal defeasance and redemption of the 2008 Series A, B and C revenue bonds. Proceeds of the 2016 Series B were used to finance a portion of the ongoing construction, and expansion of the hospital, and to pay for the cost of issuance.

In May 2017, LPCH entered into a $200,000 revolving credit agreement with Bank of America which was set to expire in November 2022. There was $0 drawn on the line of credit as of August 31, 2021.

In August 2017, CHFFA issued, on behalf of LPCH, a series of revenue bonds in the aggregate par amount of $200,000, with a premium of $29,069 (collectively, the "2017 Bonds"). The 2017 bonds were comprised of Series A revenue bonds. Proceeds of the 2017 Series A were used to finance a portion of the ongoing construction, equipment purchases, and improvement of the hospital, and to pay for the cost of issuance. In addition, the proceeds of the bonds were used to finance costs of routine capital and the acquisition of the long-term ground lease interest in land and improvements of a parcel located adjacent to the existing facility.

(in thousands of dollars)

In April 2021, CHFFA completed, on behalf of LPCH, the pricing of Forward Delivery 2022 Series A Bonds in the aggregate principal of $206,670 that is expected to settle in May 2022. Proceeds of the 2022 Series A bonds will be used for the legal defeasance and redemption of 2012 Series A and B bonds and to pay a portion of the costs of issuance.

All the bonds issued by CHFFA on behalf of LPCH are a limited obligation of the CHFFA and are payable solely from payments made by LPCH and secured by an Obligation issued pursuant to the LPCH Master Indenture.

Scheduled principal payments on outstanding debt are summarized below:

	Scheduled Principal Maturities	Interest
Year ending August 31,		
2022	$ 9,045	$ 36,033
2023	9,490	35,590
2024	9,980	35,102
2025	10,405	34,677
2026	10,920	34,160
Thereafter	729,735	667,727
	$ 779,575	$ 843,289

10. Retirement Plans

LPCH and its subsidiaries provide retirement benefits through defined benefit and defined contribution retirement plans covering substantially all benefit eligible employees and previously leased employees.

Defined Contribution Retirement Plan
Employer contributions to the defined contribution retirement plan are based on a percentage of participant annual compensation. Employer contributions to this plan which are vested immediately to participants totaling $54,630 and $50,297 for the years ended August 31, 2021 and 2020, respectively, are included in salaries and benefits expense in the Consolidated Statements of Operations and Changes in Net Assets.

LPFCH participates in a defined contribution retirement plan covering substantially all LPFCH employees. Participants are fully vested in LPFCH's contributions after five years. LPFCH contributions for the years ended August 31, 2021 and 2020 are $1,211 and $1,072, respectively. This is included in salaries and benefits expense in the Consolidated Statements of Operations and Changes in Net Assets.

Postretirement Medical Benefit Plan
LPCH currently provides health insurance coverage for certain of its employees and previously leased employees, through the SHC plan, upon retirement as early as age 55, with years of service as defined by specific criteria. The health insurance coverage for retirees who are under age 65 is the same as that provided to active employees. A Medicare supplement option is provided for retirees over age 65.

(in thousands of dollars)

For purposes of the August 31, 2021 retiree medical benefit plan liability valuation, LPCH has assumed future mortality according to the Pri-2012 separate employee and retiree table(s) with contingent survivor adjustments for existing survivors and white collar adjustments applied with future improvements using the MSS-2020 projection scale.

LPCH has recorded a liability totaling $29,764 and $28,440 for the years ended August 31, 2021 and 2020, respectively, included in self-insurance reserves on the Consolidated Balance Sheets. This represents the obligation for its employees and previously leased employees. LPCH reimburses SHC for costs related to this plan on a periodic basis, and in 2021 has recorded expense of $1,233 and a decrease of $94 to net assets to increase the minimum benefit liability.

Defined Benefit Pension Plans
Certain LPCH employees and previously leased employees are covered by a noncontributory defined benefit pension plan held by SHC. SHC's defined benefit pension plan benefits are based on years of service and the employee's compensation. Contributions to the Plans are based on actuarially determined amounts sufficient to meet the benefits to be paid to plan participants.

SHC and LPCH have an arrangement whereby SHC assumes the pension liability of the LPCH employees and previously leased employees. However, LPCH is required to reimburse SHC for the annual expense incurred for these employees and previously leased employees. LPCH paid $188 and $251 in cash for the years ended August 31, 2021 and 2020, respectively, which represented current year pension expenses related to LPCH employees and previously leased employees.

Certain other LPCH employees and previously leased employees not covered by the previously described plans are covered by a frozen noncontributory defined benefit pension plan (the "LPCH Frozen Pension Plan"). Benefits are based on years of service and the employee's compensation. Contributions to the Plan are based on actuarially determined amounts sufficient to meet the benefits to be paid to plan participants. In November 2020, the Board of Directors approved a resolution to terminate the LPCH Frozen Pension Plan with a lump sum distribution to be made in November 2021 and an annuity purchase in January 2022.

The following table's present information on plan assets and obligations, costs, and actuarial assumptions for the LPCH Frozen Pension Plan for the years ended August 31, 2021 and 2020, respectively.

(in thousands of dollars)

The change in pension assets and the related change in benefit obligations, using a measurement date as of and for the years ended August 31, 2021 and 2020 are as follows:

	2021	2020
Change in plan assets		
Fair value of plan assets at beginning of year	$ 8,319	$ 6,872
Actual return on plan assets	(219)	1,009
Employer contributions	-	1,109
Plan Settlements	-	-
Benefits paid	(599)	(671)
Fair value of plan assets at end of year	$ 7,501	$ 8,319
Change in benefit obligation		
Projected benefit obligation at beginning of year	$ 8,380	$ 8,291
Interest cost	176	222
Actuarial (gain) loss	(455)	538
Plan Settlements	-	-
Benefits paid	(599)	(671)
Projected benefit obligation at end of year	$ 7,502	$ 8,380
Funded status at end of year and net amount recognized in balance sheet	$ (1)	$ (61)
Net amount recognized in balance sheet	$ (1)	$ (61)
Amounts not yet reflected in net periodic benefit cost and included in other changes in net assets		
Accumulated net gain (loss)	$ (2,095)	$ (2,204)
Adjustment for minimum pension liability	(2,095)	(2,204)
Cumulative employer contributions in excess of net periodic benefit cost	2,094	2,143
Net amount recognized in balance sheet	$ (1)	$ (61)

The estimated net loss that will be amortized from other changes in net assets into net periodic benefit cost over the next fiscal year is $118.

Due to the LPCH pension plan being frozen, the accumulated benefit obligation is the same as the projected benefit obligation at the end of the year.

(in thousands of dollars)

Net benefit cost related to the Plan for the years ended August 31 includes the following components:

	2021	2020
Interest cost	$ 176	$ 222
Expected return on assets	(239)	(341)
Amortization of net loss	112	119
Total net periodic benefit cost	$ 49	$ -

Changes recognized in other changes in net assets for the years ended August 31 include the following components:

	2021	2020
Net loss (gain) arising during period	$ 3	$ (130)
Amortization of net loss	(112)	(119)
Total recognized in net assets without donor restrictions	$ (109)	$ (249)
Total recognized in net periodic benefit cost and net assets without donor restrictions	$ (60)	$ (249)

Actuarial Assumptions
The weighted-average assumptions used to determine benefit obligations are as follows for the years ended August 31:

	2021	2020
Weighted-average assumptions to determine benefit obligations		
Discount rate	2.34 %	2.19 %
Rate of compensation increase	N/A	N/A

The discount rate, expected rate of return on plan assets, and the projected covered payroll growth rates used in determining the above accrued benefit costs are as follows for the years ended August 31:

	2021	2020
Weighted average assumptions to determine net periodic benefit costs		
Discount rate	2.19 %	2.80 %
Rate of compensation increase	N/A	N/A
Expected return on assets	3.00 %	4.50 %

LPCH utilizes an independent investment consulting firm to provide estimates of the future expected returns for each asset class based on LPCH's asset allocation targets. The evaluation of

(in thousands of dollars)

the future expected returns resulted in the use of 3.00% as the assumption for the expected return on plan assets.

Plan Investments
The investments of the LPCH Frozen Pension Plan have been invested to ensure stability of returns as well as to preserve the asset base of investments. Changing market cycles require flexibility in asset allocation to allow movement of capital within the asset classes for the purpose of increasing investment return and/or reducing risk. The Plan asset allocation for the LPCH Frozen Pension Plan as of the measurement date 82% fixed income, 0% equity, 18% cash as of August 31, 2021 and 100% fixed income, 0% equity, 0% cash as of August 31, 2020.

Fair Value of Plan Assets
The Plan assets measured at fair value are as follows for the year ended August 31, 2021:

	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	$ 1,376	$ -	$ -	$ 1,376
Fixed income	6,125	-	-	6,125
Total plan assets	$ 7,501	$ -	$ -	$ 7,501

The Plan assets measured at fair value are as follows for the year ended August 31, 2020:

	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	$ 33	$ -	$ -	$ 33
Fixed income	8,286	-	-	8,286
Total plan assets	$ 8,319	$ -	$ -	$ 8,319

Concentration of Risk
LPCH manages a variety of risks, including market, credit, and liquidity risks, across plan assets through our investment managers. Concentration of risk is defined as an undiversified exposure to one of the above–mentioned risks that increases the exposure of the loss of plan assets unnecessarily. LPCH management minimizes risk by diversifying exposure to such risks across a variety of instruments, markets, and counterparties.

Plan Contributions
LPCH did not contribute to the LPCH Frozen Pension Plan during the fiscal year ending August 31, 2021, and does not expect to contribute any amount in the fiscal year ending August 31, 2022.

(in thousands of dollars)

Estimated Future Benefit Payments
The following table presents the expected benefit payments and termination distributions as of August 31, 2021:

2022	$	7,567
2023		-
2024		-
2025		-
2026		-
Next 5 years		-

11. Endowment and Donor Restricted Net Assets

The endowment is intended to generate investment income that can be used to support their current operating and strategic initiatives. LPCH invests the majority of the endowments in the University's managed pool, and LPFCH invests the endowments in other long-term investments.

LPCH's Board of Directors has adopted the University's investment and spending policies for its donor-restricted and board designated funds functioning as an endowment that provide for annual amounts (payout) to be distributed to appropriate restricted funds supporting operating and strategic activities of LPCH. Through the combination of investment strategy and payout policy, the hospital is striving to provide a reasonably consistent payout from the endowment to support operations, while preserving the purchasing power of the endowment adjusted for inflation. Consistent with the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), when determining the appropriate payout, the Board considers the purposes of the endowment, the duration and preservation of the endowment, general economic conditions, the possible effect of inflation or deflation, the expected return from income and the appreciation of investments, and investment policy.

The current University Board of Trustees approved targeted spending rate is 5.5%, which was adopted by the Board of Directors of LPCH. The payout amount is determined by applying a smoothing rule that limits payout in a given year to the sum of 70% of the previous year's actual rate and 30% of the long-term spending target rate applied to the projected per share value of the endowment. The smoothing rule and the diversification of the investment asset allocation attempt to mitigate the impact of short-term market volatility on the flow of funds to support LPCH's operations. The Board has the authority to override the smoothing rule and set the payout rate directly. In fiscal year 2021, the Board cut the rate by 10% for nonstudent aid funds, which was a recommendation due to COVID concerns at the time for the Board to adopt a rate different than the smooth formula yielded.

In addition, LPFCH has a policy of appropriating for distribution each year an amount determined annually based on budget needs. The annual distribution is expected to average no more than 5% of the endowment fund's fair value. For individual years, it is expected to fall within a target range of 4.75% to 5.25% of the endowment fund's average fair value over the prior 12 quarters. Unspent program budget may be spent in future years subject to certain limits. LPFCH board of directors may also appropriate an amount outside this target range. Accordingly, depending on anticipated activity and timing of the grant opportunities, actual spending may fall outside of the range. In establishing this policy, the LPFCH considered the long term expected return on its endowment.

(in thousands of dollars)

Over the long term, the LPFCH expects the current spending policy to allow its endowment to grow at a rate of expected inflation. This is consistent with the LPFCH's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through investment return.

LPCH classifies as donor restricted net assets (a) the original value of gifts donated to the restricted endowment, (b) the original value of subsequent gifts to the restricted endowment, and (c) accumulations to the restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Net unrealized losses on donor-restricted and board designated funds functioning as an endowment are classified as a reduction to net assets with donor restrictions or board designated funds functioning as an endowment until such time as the fair value equals or exceeds historic value. The aggregate amount by which fair value was below historic value was approximately $0 as of August 31, 2021 and 2020.

Changes in LPCH's endowment with donor restrictions, for the years ended August 31, 2021 and 2020, are as follows:

	2021	2020
Endowment with donor restrictions, beginning of year	$ 390,056	$ 362,229
Investment returns	130,731	30,789
Amounts distributed for operations	(18,799)	(17,390)
Contributions received from donors	8,393	15,159
Transfer	(329)	(758)
Other	(256)	27
Net increase in endowment	119,740	27,827
Endowment with donor restrictions, end of year	$ 509,796	$ 390,056

Changes in LPCH's endowment without donor restrictions for the years ended August 31, 2021 and 2020, are as follows:

	2021	2020
Board designated funds functioning as an endowment, beginning of year	$ 128,521	$ 125,846
Investment returns	39,886	9,154
Deferred revenue refunded	-	(4,551)
Additional endowment received	32	430
Endowment assets appropriated for expenditure	(5,607)	(2,358)
Net increase in endowment	34,311	2,675
Board designated funds functioning as an endowment, end of year	$ 162,832	$ 128,521

(in thousands of dollars)

Return Objectives and Risk Parameters
LPCH has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets. Under this policy, the return objective for the endowment assets is to generate optimal total return while maintaining an appropriate level of risk for LPCH. LPCH expects its endowment funds over time, to provide at least an average rate of return of approximately 5% annually, while LPFCH expects an inflation adjusted total return, net of investment management fees, over time at least equal to the contemplated spending rate of 5%. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Investment Objectives
To achieve its long-term rate of return objectives, LPCH relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). LPCH targets a diversified asset allocation that places greater emphasis on types of investments as described in Note 7 to achieve its long-term objectives within prudent risk constraints. Portfolio asset allocation targets as well as expected risk, return and correlation amongst the asset classes are reevaluated annually by the asset manager and reported to the Board of Directors.

Donor Restricted Net Assets
Net assets with donor restrictions consist of investments held and invested to generate income to support the following purposes at August 31:

	2021	2020
With donor restrictions		
Education	$ 59,468	$ 46,086
Plant replacement and equipment	134,839	78,438
Clinical services	403,872	327,450
Indigent care and other	78,599	60,479
	$ 676,778	$ 512,453

12. Related-Party Transactions

Transactions with SHC
LPCH and SHC share certain functions, including various information systems, occupational health, managed care contracting, and supply chain. The costs for these shared services, which are included in purchased services in the Consolidated Statements of Operations and Changes in Net Assets, are allocated between SHC and LPCH based on management's best estimates. LPCH's total cost for shared services was $48,826 and $39,389 for the years ended August 31, 2021 and 2020, respectively.

LPCH also purchases various services from SHC. These services include radiation therapy, apheresis, and laboratory. The cost of these services, which is included in purchased services in the Consolidated Statements of Operations and Changes in Net Assets, is charged back to LPCH based on a percentage of charges intended to approximate costs or a cost per procedure. LPCH's total cost for services purchased from SHC was $41,296 and $36,974 for the years ended August 31, 2021 and 2020, respectively.

(in thousands of dollars)

In addition to the services described above, LPCH purchases services from SHC that include services provided by interns and residents, maintenance and certain operating expenses, including utilities and capital projects. These services totaled $44,362 and $41,419 for the years ended August 31, 2021 and 2020, respectively, and are included in purchased services and other expenses in the Consolidated Statements of Operations and Changes in Net Assets or in property and equipment, net, in the Consolidated Balance Sheets.

Transactions with the University
LPCH records operating expense or equity transfers to account for transactions with the University. LPCH purchases services from the University including telecommunications, transportation, certain utilities, rent, legal, and internal audit. Costs incurred by LPCH for these services purchased from the University were approximately $31,863 and $31,774 for the fiscal years ended August 31, 2021 and 2020, respectively, and are recorded as professional services, purchased services, and other expenses in the Consolidated Statements of Operations and Changes in Net Assets for those fiscal years or as property and equipment, net, in the Consolidated Balance Sheets. The total recoveries from the University, including rent and certain salary and benefits, was $7,367 and $5,050 as of August 31, 2021 and 2020, respectively.

Transactions with Stanford School of Medicine (SoM)
Services purchased from the University and specifically, the Stanford School of Medicine, include clinical services that benefit LPCH, including hospital-based physicians, medical direction, and medical library services. Payment for these services is based on management's best estimate of market value. On September 1, 2006, LPCH and the University entered into a Professional Services Agreement ("PSA") which assigned to LPCH the right to bill and collect all revenue related to pediatric and obstetric clinical services on behalf of the Stanford School of Medicine. In return, LPCH reimburses the University for the services provided by the physician faculty. The PSA is revised periodically, most recently as of September 1, 2016, and it is in effect for six years through August 31, 2022. The expense recorded related to payments and accruals for all of these services amounted to approximately $357,392 and $328,505 for the fiscal years ended August 31, 2021 and 2020, respectively. The collections received from external parties by LPCH as agent on behalf of SoM was recorded in other revenue and purchased services. The amounts were $9,714 and $9,258 as of August 31, 2021 and August 31, 2020, respectively.

Transactions with LPFCH
The activities of LPFCH are included in LPCH consolidated financial statements and LPFCH also serves as a fundraising agent for SoM. LPFCH has received a total of $8,844 and $7,902 from SoM in Purchased Services for development fees as of August 31, 2021 and 2020, respectively.

13. Leases

LPCH's lease portfolio primarily consists of operating leases for real estate and equipment under noncancellable lease agreements expiring at various dates. The amounts in the tables below do not reflect payments for leases that have not yet commenced.

(in thousands of dollars)

The following table disclosures the supplemental cash flow information related to leases for the year ended August 31:

	2021	2020
Operating cash flows from operating leases	$ 34,119	$ 31,218

Leasing Activities - Lessee
The following table presents the components of our lease expense and the classification of such expenses in our Consolidated Statements of Operations and Changes in Net Assets for the year ended August 31:

	2021	2020
Operating lease cost	$ 36,578	$ 32,850
Variable lease cost	6,194	5,779
Short-term lease cost	626	737
Sublease income	(6,931)	(3,895)
Total lease cost	$ 36,467	$ 35,471

The following table includes a summary of the right-of-use assets obtained in exchange for new lease obligations for year ended August 31:

	2021	2020
Operating leases	$ 30,976	$ 124,323

The following table includes the weighted-average lease terms and discount rates for operating leases as of August 31:

	2021	2020
Weighted-average remaining lease term- operating leases (years)	8.63	9.71
Weighted-average discount rate- operating leases	2.15 %	2.21 %

(in thousands of dollars)

The following table includes the future maturities of lease payments for operating leases for periods subsequent to August 31, 2021:

Year Ending August 31,	Operating Leases
2022	$ 35,180
2023	34,187
2024	30,931
2025	27,153
2026	25,560
Thereafter	112,772
Total lease payments	265,783
Less: Imputed interest	(24,589)
Present value of lease liabilities	241,194
Less: Current lease liabilities	(29,147)
Total long-term lease liabilities	$ 212,047

The following table includes the future maturities of lease payments for operating leases for periods subsequent to August 31, 2020:

Year Ending August 31,	Operating Leases
2021	$ 32,398
2022	28,787
2023	28,273
2024	25,504
2025	21,886
Thereafter	132,363
Total lease payments	269,211
Less: Imputed interest	(29,535)
Present value of lease liabilities	239,676
Less: Current lease liabilities	(26,150)
Total long-term lease liabilities	$ 213,526

(in thousands of dollars)

Leasing Activities - Lessor
LPCH leases space in its medical office buildings to others under noncancelable operating lease arrangements. The following table includes the future maturities of lease payments for operating leases that will be received for periods subsequent to August 31, 2021:

Year Ending August 31,		
2022	$	1,728
2023		906
2024		563
2025		308
2026		214
Thereafter		127
	$	3,846

The following table includes the future maturities of lease payments for operating leases that will be received for periods subsequent to August 31, 2020:

Year Ending August 31,		
2021	$	1,275
2022		1,231
2023		592
2024		284
2025		24
Thereafter		-
	$	3,406

14. Commitments and Contingencies

LPCH is aware of certain asserted and unasserted legal claims. While the outcome cannot be determined at this time, management is of the opinion that the liability, if any, from these actions will not have a material effect on LPCH's financial position.

As with many medical centers across the country, information security and privacy is a growing risk area based on developments in the law and expanding mobile technology practices. LPCH has policies, procedures, and training in place to safeguard protected information, but select incidents have occurred in the past and may occur in the future involving potential or actual disclosure of such information (including, for example, certain identifiable information relating to patients). In most cases, there has been no evidence of unauthorized access to, or use/disclosure of, such information, yet laws may require reporting to potentially affected individuals and federal and state governmental agencies. Governmental agencies have the authority to investigate and request further information about an incident or safeguards, to cite LPCH for a deficiency or regulatory violation, and/or require payment of fines, corrective action, or both. California law also allows a private right to sue for a breach of medical information. The cost of such possible consequences has not been material to date to LPCH, and LPCH management does not believe that any future consequences of these incidents will be material to its consolidated financial statements.

(in thousands of dollars)

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. Compliance with these laws and regulations can be subject to future government review and interpretation, as well as to regulatory actions unknown or unasserted at this time. Government activity with respect to investigations and allegations concerning possible violations of regulations by healthcare providers could result in the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. LPCH is subject to similar regulatory reviews, and while such reviews may result in repayments and/or civil remedies that could have a material effect on LPCH's financial results of operations in a given period, management believes that such repayments and/or civil remedies would have a material effect on LPCH's financial position.

LPCH is in transition from a legacy team site to a new digital experience platform provided by Adobe Experience Manager (AEM). AEM is a comprehensive content management solution for building websites, and mobile applications and forms. AEM makes it easy to manage marketing content and assets. LPCH has signed several other information technology contracts with commitments from fiscal year 2020 to fiscal year 2028. The total commitment for these information technology contracts was approximately $18,257 as of August 31, 2021.

California's Hospital Seismic Safety Act requires licensed acute care functions to be conducted only in facilities that meet specified seismic safety standards. Facilities classified by the State of California as noncompliant in the event of an earthquake must be retrofitted, replaced or removed from acute-care service by applicable deadlines prior to 2020 or 2030. There are separate and distinct seismic safety standards for structural frame performance and for nonstructural element performance. LPCH complies with the structural frame requirements for the existing hospital building allowing its use indefinitely past 2030, provided potable water and wastewater holding is added no later than January 1, 2030. LPCH has retrofitted discrete areas of the existing hospital for compliance to the nonstructural standards by 2020.

LPCH relies upon services located in the SHC hospital facility. Through the construction of a New Stanford Hospital (opened in 2019), as well as through planned retrofits of the existing SHC facility, SHC services that support LPCH will be compliant to all seismic safety regulations within available deadlines. Amendments of the Hospital Seismic Safety Act via SB 90, allowed the Office of Statewide Health Planning and Development (OSHPD) to approve an extension of the structural compliance deadline for SHC's seismically deficient SPC-1 buildings until January 1, 2020 due to its status as a trauma center. SHC received approval from the State of California for its plan to remove those SPC-1 buildings from the roster of hospital structures. All physical construction supporting the reclassifications of those buildings was completed on schedule, and SHC is working with the State to document the buildings' re-classification to OSHPD 1R – removed from acute care service. Additionally, new regulations introduced in 2019 have enabled SHC to construct new bed extension structures that will enable relocation of all acute inpatient services into fully seismically compliant structures by 2026. Finally, the seismicity at the hospital campus has been re-classified to a lower intensity level, resulting in lower risk during an earthquake. Consequently, the compliance deadline for nonstructural retrofits has been extended to January 1, 2030. SHC is on-track to complete the required retrofits by that date.

In June 2011, the Palo Alto City Council certified the Final Environmental Impact Report, land use changes, permits and a Development Agreement with Stanford Hospital, LPCH and Stanford University as part of the Renewal Project. In July 2011, the Palo Alto City Council provided final approval for the Renewal Project at the second reading of the Development Agreement. The

(in thousands of dollars)

Renewal Project will rebuild Stanford Hospital and expand LPCH to assure adequate capacity, meet State-mandated earthquake safety standards, and provide modern, technologically-advanced hospital facilities. The Renewal Project also includes replacement of outdated laboratory facilities at the Stanford School of Medicine and remodeling of Hoover Pavilion. The construction of the LPCH portion of the Renewal Project is completed (including the fifth floor). As of August 31, 2021, the remaining commitment for the Renewal Project was approximately $536.

LPCH continues to invest in facilities and systems required to continue to provide the highest quality children's services to the community it serves, including upgrading hospital rooms and equipment. The total commitment related to these upgrades is approximately $33,383 as of August 31, 2021.

LPCH is directly liable under irrevocable letters of credit totaling $9,392 at August 31, 2021, including $7,970 required as security for the workers' compensation deductible plan as described in Note 2, and $1,422 for security for construction, operation and maintenance of certain utility facilities. No amounts have been drawn on these letters of credit as of August 31, 2021. LPCH also serves as guarantor for $1,000 loan of South County Community Health Center in East Palo Alto.

Approximately 44% of LPCH employees are covered by collective bargaining arrangements. These employees are members of two unions; approximately 32% are covered by an agreement which expires on March 31, 2022; the other 12% are covered by an agreement which expires on September 6, 2023.

In 2013, LPCH became the guarantor on a building lease under which the total rent payments over the life of the lease, which expires in 2027 will be approximately $6,460 as of August 31, 2021.

In 2021, LPCH signed a 6-year equipment lease with Omnicell, Inc. The lease will not commence until March 2022. Total lease obligation is approximately $9,000.

The global COVID-19 pandemic (which began in fiscal year 2020) continued to impact LPCH's patients, communities, employees and business operations in fiscal year 2021. While the conditions have improved for LPCH since the peak surge in early 2020, the national outlook worsened towards the end of fiscal year 2021 with the spike in cases caused by the Delta variant of the COVID-19 virus. Patient volumes and the related revenue for most of the LPCH's health care services were significantly impacted in fiscal year 2020 as various policies were implemented by federal, state, and local governments in response to the COVID-19 pandemic, including restrictions on nonessential medical services, travel bans, social distancing, and shelter-in-place orders. These policies required LPCH to reduce hours and temporarily close certain operations, as well as significantly reduce surgical procedures, outpatient diagnostic and treatment services, and physician patient visits. More than a year into the COVID-19 pandemic, certain volumes were still impacted by the pandemic given the activities of children were still not back to pre-pandemic levels. Also, broad economic factors including unemployment rates, adjusted consumer spending, and supply chain interruptions impacted patient volumes, service mix and payor mix.

The Coronavirus Aid, Relief, and Economic Security Ace (the "CARES Act") provides stimulus in the form of financial aid to cover emergency funding to hospitals and providers through existing mechanisms to prevent, prepare for, and respond to COVID-19. LPCH received $6,655 and $79,013 in fiscal year 2021 and fiscal year 2020, respectively, under the CARES Act in the form of

(in thousands of dollars)

grants through the Public Health and Social Services Emergency fund for lost revenues and related expenses attributable to COVID-19. These payments are recorded as other revenue. LPCH recognized revenue related to the CARES Act provider relief funding based on information contained in laws and regulations, as well as interpretations issued by the Department of Health and Human Services ("HHS"), governing the funding that was publicly available at August 31, 2021. CARES Provider Relief Funds are subject to future audit adjustments based on compliance audits and potential changes to statutes. In addition, HHS issued new reporting requirements for the CARES Act provider relief funding. The most updated requirements were issued in June 2021, and the new requirements expanded the Relief Fund Eligibility and Updated Reporting Requirements. Due to these new reporting requirements and the ongoing changes in the compliance requirements, there can be no assurance that the amounts recorded under CARES Act provider relief fund by LPCH will not change in future periods.

The CARES Act provides for deferred payment of the employer portion of social security taxes between March 27, 2020 and December 31, 2020, with 50% of the deferred amount due December 31, 2021 and the remaining 50% due December 31, 2022, pursuant to the Paycheck Protection Program and Health Care Enhancement Act. Through August 31, 2021, LPCH has deferred $24,821 in employer payroll taxes, $12,430 recorded in accrued salaries and related benefits, and $12,391 recorded in self-insurance reserves and other liabilities, net of current portion.

There are other governmental funding and relief sources, in addition to other components of the CARES Act not mentioned, that LPCH continues to assess for eligibility. The possible impact of these funding and relief sources are not reflected in the financial performance through August 31, 2021.

15. Functional Expenses

Expenses are included in the table below, by functional and natural classification type based on the nature and purpose of the expense incurred. Expenses for patient services includes inpatient, outpatient, and community-based services to patients. Management and general includes administration, financial services, legal, and other functions that support the organization. Fundraising includes expenses incurred for the purpose of our fundraising organization and related activities. Expenses attributable to more than one functional expense category are allocated. Allocated expenses include depreciation, facility operations such as engineering, housekeeping, and utilities, and shared services such as supply chain. These expenses are allocated to the functional categories based on relative proportion of patient services and administrative expenses directly attributable to those categories.

(in thousands of dollars)

Expenses incurred comprise the following program services for the years ended August 31:

	2021			
	Patient Services	Management and General	Fundraising	Total
Salaries and benefits	$ 906,298	$ 102,374	$ 14,538	$ 1,023,210
Professional services	2,646	8,253	2,621	13,520
Supplies	200,078	792	55	200,925
Purchased services	600,775	42,959	941	644,675
Provider fee	20,553	-	-	20,553
Other	101,763	28,857	5,752	136,372
Interest	31,982	-	-	31,982
Depreciation and amortization	101,400	7,059	882	109,341
Total functional expense	$ 1,965,495	$ 190,294	$ 24,789	$ 2,180,578

	2020			
	Patient Services	Management and General	Fundraising	Total
Salaries and benefits	$ 827,729	$ 95,246	$ 13,790	$ 936,765
Professional services	2,845	7,829	1,853	12,527
Supplies	169,008	2,137	89	171,234
Purchased services	558,531	36,585	860	595,976
Provider fee	23,845	-	-	23,845
Other	93,608	28,067	4,348	126,023
Interest	33,394	-	-	33,394
Depreciation and amortization	111,493	8,953	684	121,130
Total functional expense	$ 1,820,453	$ 178,817	$ 21,624	$ 2,020,894

16. Subsequent Events

LPCH and its subsidiaries have evaluated subsequent events occurring between the end of the most recent fiscal year and December 2, 2021, the date the consolidated financial statements were issued.

Report of Independent Auditors

To the Board of Directors
Lucile Salter Packard Children's Hospital at Stanford

We have audited the consolidated financial statements of Lucile Salter Packard Children's Hospital at Stanford and its subsidiaries as of and for the years then ended August 31, 2021 and 2020 and our report thereon appears on page one of this document. That audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating 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 consolidating 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 consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations and cash flows of the individual companies and is not a required part of the consolidated financial statements. Accordingly, we do not express an opinion on the financial position, results of operations and cash flows of the individual companies.

PricewaterhouseCoopers LLP

San Francisco, CA
December 2, 2021

Lucile Salter Packard Children's Hospital at Stanford
Consolidating Balance Sheet
August 31, 2021

(in thousands of dollars)

	2021				
	LPCH	PCHA	LPFCH	Elimination	Consolidated
Assets					
Current assets					
Cash and cash equivalents	$ 370,377	$ 62	$ 27,755	$ -	$ 398,194
Short term investments in Stanford University ("University") managed pools	1	-	-	-	1
Patient accounts receivable	570,129	9,631	-	-	579,760
Contributions receivable	33,995	-	78,920	(33,586)	79,329
Other receivables	37,026	979	18	-	38,023
Prepaid expenses, inventory and other	62,065	741	570	(2,134)	61,242
Total current assets	1,073,593	11,413	107,263	(35,720)	1,156,549
Investments	78,469	-	11,403	-	89,872
Investments in University managed pools	1,081,283	-	-	-	1,081,283
Board designated funds in University managed pools and other	11,252	-	153,162	-	164,414
Property and equipment, net	1,772,294	3,272	441	-	1,776,007
Beneficial interest in trusts, net	19,651	-	13,111	-	32,762
Contributions receivable, net of current portion	52,918	-	73,767	(52,918)	73,767
Right of use lease assets	204,727	12,163	14,325	-	231,215
Equity method investments and other assets	(56,002)	9,918	84	107,548	61,548
Total assets	$ 4,238,185	$ 36,766	$ 373,556	$ 18,910	$ 4,667,417
Liabilities and Net Assets					
Current liabilities					
Accounts payable, accrued liabilities, and deferred provider fee	$ 199,275	$ 2,324	$ 20,702	$ (2,550)	$ 219,751
Accrued salaries and related benefits	123,095	3,196	2,877	-	129,168
Due to related parties	(23,445)	8,915	183,094	(91,627)	76,937
Third-party payor settlements	21,597	-	-	-	21,597
Current portion of long-term debt and borrowing on revolving credit facility	9,045	-	-	-	9,045
Current portion of long-term ROU lease liability	24,448	4,699	-	-	29,147
Self-insurance reserves and other liabilities	13,279	939	-	-	14,218
Total current liabilities	367,294	20,073	206,673	(94,177)	499,863
Self-insurance reserves and other liabilities, net of current portion	70,184	461	-	-	70,645
Long-term debt and capital leases, net of current portion	830,916	-	-	-	830,916
Long-term ROU lease liability	189,610	7,766	14,671	-	212,047
Total liabilities	1,458,004	28,300	221,344	(94,177)	1,613,471
Net assets					
Without donor restrictions	2,103,404	8,466	152,211	113,087	2,377,168
With donor restriction	676,778	-	-	-	676,778
Total net assets	2,780,182	8,466	152,211	113,087	3,053,946
Total liabilities and net assets	$ 4,238,186	$ 36,766	$ 373,555	$ 18,910	$ 4,667,417

The accompanying note is an integral part of the accompanying consolidating information.

Lucile Salter Packard Children's Hospital at Stanford
Consolidating Balance Sheet
August 31, 2020

(in thousands of dollars)

	2020				
	LPCH	PCHA	LPFCH	Elimination	Consolidated
Assets					
Current assets					
Cash and cash equivalents	$ 297,791	$ (487)	$ 56,853	$ -	$ 354,157
Short term investments in Stanford University ("University") managed pools	1,795	-	-	-	1,795
Patient accounts receivable	459,631	7,981	-	-	467,612
Contributions receivable	19,961	-	39,662	(19,849)	39,774
Other receivables	44,556	1,127	2	-	45,685
Prepaid expenses, inventory and other	44,942	781	591	(1,832)	44,482
Total current assets	868,676	9,402	97,108	(21,681)	953,505
Investments	77,808	-	10,588	-	88,396
Investments in University managed pools	798,936	-	-	-	798,936
Board designated funds in University managed pools and other	11,204	-	118,883	-	130,087
Property and equipment, net	1,836,325	4,064	509	-	1,840,898
Beneficial interest in trusts, net	16,889	-	11,316	-	28,205
Contributions receivable, net of current portion	34,988	-	69,672	(34,988)	69,672
Right of use lease assets	206,708	11,793	15,714	-	234,215
Equity method investments and other assets	(55,747)	11,042	77	93,722	49,094
Total assets	$ 3,795,787	$ 36,301	$ 323,867	$ 37,053	$ 4,193,008
Liabilities and Net Assets					
Current liabilities					
Accounts payable, accrued liabilities, and deferred provider fee	$ 146,381	$ 1,888	$ 17,741	$ (1,832)	$ 164,178
Accrued salaries and related benefits	88,619	2,379	2,427	-	93,425
Due to related parties	(43,673)	10,517	169,399	(59,978)	76,265
Third-party payor settlements	14,388	-	-	-	14,388
Current portion of long-term debt and borrowing on revolving credit facility	38,635	-	-	-	38,635
Current portion of long-term right of use lease liability	21,833	4,317	-	-	26,150
Self-insurance reserves and other liabilities	10,586	709	-	-	11,295
Total current liabilities	276,769	19,810	189,567	(61,810)	424,336
Self-insurance reserves and other liabilities, net of current portion	70,895	487	-	-	71,382
Long-term right of use lease liability, net of current portion	189,960	7,712	15,854	-	213,526
Long-term debt, net of current portion	842,576	-	-	-	842,576
Total liabilities	1,380,200	28,009	205,421	(61,810)	1,551,820
Net assets					
Without donor restrictions	1,903,134	8,292	118,446	98,863	2,128,735
With donor restriction	512,453	-	-	-	512,453
Total net assets	2,415,587	8,292	118,446	98,863	2,641,188
Total liabilities and net assets	$ 3,795,787	$ 36,301	$ 323,867	$ 37,053	$ 4,193,008

The accompanying note is an integral part of the accompanying consolidating information.

Lucile Salter Packard Children's Hospital at Stanford
Consolidating Statement of Operations and Changes in Net Assets
Year Ended August 31, 2021

(in thousands of dollars)

	2021				
	LPCH	PCHA	LPFCH	Elimination	Consolidated
Operating revenues					
Net patient service revenue	$ 1,969,363	$ 103,361	$ -	$ -	$ 2,072,724
Provider fee	65,992	-	-	-	65,992
Other revenue	53,024	15,115	22,325	731	91,195
Net assets released from restrictions used for operations	29,307	-	-	-	29,307
Total operating revenues and other support	2,117,686	118,476	22,325	731	2,259,218
Operating expenses					
Salaries and benefits	967,728	38,777	16,705	-	1,023,210
Professional services	9,621	544	3,355	-	13,520
Supplies	186,935	13,951	39	-	200,925
Purchased services	589,928	67,815	425	(13,493)	644,675
Provider fee	20,553	-	-	-	20,553
Other	119,657	8,566	8,149	-	136,372
Interest	31,982	-	-	-	31,982
Depreciation and amortization	106,406	2,655	280	-	109,341
Total operating expenses	2,032,810	132,308	28,953	(13,493)	2,180,578
(Loss) income from operations	84,876	(13,832)	(6,628)	14,224	78,640
Interest income	1,872	-	997	-	2,869
Income and gains from University managed pools and other	166,358	-	39,396	-	205,754
Income tax credit (expense)	704	6	-	-	710
Other components of net periodic postretirement cost	(1,637)	-	-	-	(1,637)
Excess of revenues over expenses	252,173	(13,826)	33,765	14,224	286,336
Net assets released from restrictions used for purchases of property and equipment	10,270	-	-	-	10,270
Adjustment for minimum pension liability	(94)	-	-	-	(94)
Transfers (to) from University and other	(62,079)	14,000	-	-	(48,079)
Increase (decrease) in net assets without donor restrictions	200,270	174	33,765	14,224	248,433
Changes in net assets with donor restrictions					
Contributions and other	71,083	-	-	-	71,083
Income and gains from University managed pools	129,446	-	-	-	129,446
Change in value of beneficial interest in remainder trusts	3,326	-	-	-	3,326
Net assets released from restrictions for operations	(29,307)	-	-	-	(29,307)
Purchase of property and equipment	(10,270)	-	-	-	(10,270)
Transfers (to) from University and other	47	-	-	-	47
Increase (decrease) in net assets with donor restrictions	164,325	-	-	-	164,325
Net Increase (decrease) in net assets	364,595	174	33,765	14,224	412,758
Net assets					
Beginning of period	2,415,587	8,292	118,446	98,863	2,641,188
End of period	$ 2,780,182	$ 8,466	$ 152,211	$ 113,087	$ 3,053,946

The accompanying note is an integral part of the accompanying consolidating information.

Lucile Salter Packard Children's Hospital at Stanford
Consolidating Statement of Operations and Changes in Net Assets
Year Ended August 31, 2020

(in thousands of dollars)

	2020				
	LPCH	PCHA	LPFCH	Elimination	Consolidated
Operating revenues					
Net patient service revenue	$ 1,710,380	$ 92,878	$ -	$ -	$ 1,803,258
Provider fee	80,604	-	-	-	80,604
Other revenue	113,330	11,751	20,184	8,124	153,389
Net assets released from restrictions used for operations	27,333	-	-	-	27,333
Total operating revenues and other support	1,931,647	104,629	20,184	8,124	2,064,584
Operating expenses					
Salaries and benefits	885,000	34,690	15,640	-	935,330
Professional services	9,735	464	2,328	-	12,527
Supplies	158,626	12,517	91	-	171,234
Purchased services	542,543	64,768	436	(11,771)	595,976
Provider fee	23,845	-	-	-	23,845
Other	110,660	9,207	6,252	(96)	126,023
Interest	33,394	-	-	-	33,394
Depreciation and amortization	117,964	2,974	192	-	121,130
Total operating expenses	1,881,767	124,620	24,939	(11,867)	2,019,459
(Loss) income from operations	49,880	(19,991)	(4,755)	19,991	45,125
Interest income	2,940	-	304	-	3,244
Income and gains from University managed pools and other	39,894	-	8,932	-	48,826
Income tax expense	(202)	-	-	-	(202)
Other components of net periodic postretirement cost	(1,435)	-	-	-	(1,435)
Excess of revenues over expenses	91,077	(19,991)	4,481	19,991	95,558
Net assets released from restrictions used for purchases of property and equipment	123,907	-	-	-	123,907
Adjustment for minimum pension liability	(2,032)	-	-	-	(2,032)
Transfers (to) from University and other	(55,771)	20,000	-	-	(35,771)
Increase (decrease) in net assets without donor restrictions	157,181	9	4,481	19,991	181,662
Changes in net assets with donor restrictions					
Contributions and other	32,172	-	-	-	32,172
Income and gains from University managed pools	30,879	-	-	-	30,879
Change in value of beneficial interest in remainder trusts	1,879	-	-	-	1,879
Net assets released from restrictions for operations	(27,333)	-	-	-	(27,333)
Purchase of property and equipment	(123,907)	-	-	-	(123,907)
Transfers (to) from University and other	(155)	-	-	-	(155)
Increase (decrease) in net assets with donor restrictions	(86,465)	-	-	-	(86,465)
Net Increase (decrease) in net assets	70,716	9	4,481	19,991	95,197
Net assets					
Beginning of period	2,344,871	8,283	113,965	78,872	2,545,991
End of period	$ 2,415,587	$ 8,292	$ 118,446	$ 98,863	$ 2,641,188

The accompanying note is an integral part of the accompanying consolidating information.

(in thousands of dollars)

Accompanying Consolidating Information

The accompanying consolidating information presents Consolidating Balance Sheets as of August 31, 2021 and 2020, and Consolidating Statements of Operations and Changes in Net Assets for the years then ended.

The supplemental information has been prepared in a manner consistent with generally accepted accounting principles and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The supplemental consolidating information is presented only for purposes of additional analysis and not as a presentation of the financial position and results of the individual entities.