SCL Health

Quarterly Financial Reporting Information

For the Nine Months Ended September 30, 2021

Sisters of Charity of Leavenworth Health System, Inc.

Disclosure Information as of September 30, 2021

November 12, 2021

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SISTERS OF CHARITY OF LEAVENWORTH HEALTH SYSTEM, INC. AND AFFILIATES

OVERVIEW

History, Background and Organization

The Sisters of Charity of Leavenworth (the Sisters or the Congregation), founded in 1858, have provided more than 162 years of service committed to enhancing the spiritual, health, educational and social well-being of all persons. In 1857, a small congregation of Sisters from Nashville, Tennessee, ventured to the edge of an expanding frontier, settling in the territory of Kansas. Over the years, these women established schools, orphanages and hospitals throughout the western territories as the populations and needs of these communities grew.

The Congregation sponsors a variety of ministries in health care, education, social welfare, spiritual development and foreign missions. The historical roots of its health-care ministry can be traced to 1864 when the Sisters opened the first private hospital in the state of Kansas. Within the next century the Sisters established, developed and staffed hospitals in Montana, Colorado, Nebraska, New Mexico, California, Kansas and Wyoming.

In 1972, following a review of their first century of providing health-care services, the Sisters recognized the need to unify and develop a more cohesive system for the hospitals, strengthening them individually and collectively. As a result of that review, the Sisters sought the incorporation of Sisters of Charity of Leavenworth Health System, Inc. (SCL Health), a nonprofit corporation organized under the laws of the State of Kansas. In 2011, the Congregation formed a new canonical entity, Leaven Ministries, which was approved and recognized by the Catholic Church to be the new Sponsor of SCL Health. Leadership of the Sisters of Charity of Leavenworth religious community remains involved in Leaven Ministries. The members of Leaven Ministries include two Sisters and three lay leaders. SCL Health is governed by a 19-member Board of Directors.

Headquartered in Broomfield, Colorado, SCL Health is a faith-based nonprofit health-care system that operates eight acute care hospitals, three safety-net clinics, one children's mental health center and more than 170 ambulatory service locations primarily in Colorado and Montana, with more than 15,000 associates and over 800 employed providers. SCL Health is the sole member of an Obligated Group under a Master Trust Indenture (MTI). Seven hospitals comprise the Restricted Affiliates under the MTI. (See Restricted Affiliates Organization Chart.) SCL Health and its hospitals have been recognized for clinical quality and patient experience by multiple third-party organizations that rank hospitals and health systems nationwide.

Where We Serve Our Communities

COLORADO – WESTERN COLORADO REGION

1 Hospital
St. Mary's Medical Center – *Grand Junction*

1 Outpatient Imaging Center

1 Outpatient Procedure Center

1 Clinically Integrated Network

25+ Clinic Locations

MONTANA REGION

3 Hospitals
Holy Rosary Healthcare – *Miles City*
St. James Healthcare – *Butte*
St. Vincent Healthcare – *Billings*

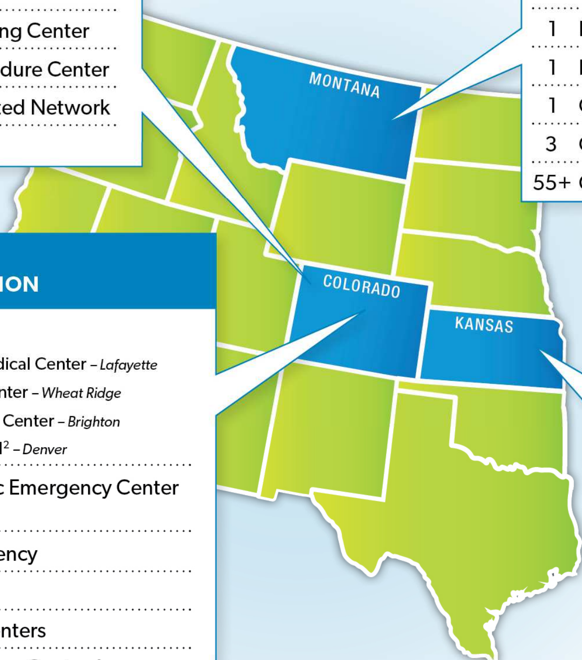
1 Long-Term Care Facility

1 Inpatient Rehabilitation Hospital

1 Outpatient Imaging Center[1]

3 Outpatient Procedure Centers

55+ Clinic Locations



COLORADO – FRONT RANGE REGION

4 Hospitals
Good Samaritan Medical Center – *Lafayette*
Lutheran Medical Center – *Wheat Ridge*
Platte Valley Medical Center – *Brighton*
Saint Joseph Hospital[2] – *Denver*

1 Community Clinic Emergency Center
Northglenn

1 Home Health Agency

1 Hospice Center

2 Mental Health Centers

12 Outpatient Imaging Centers[1]

5 Outpatient Procedure Centers

70+ Clinic Locations

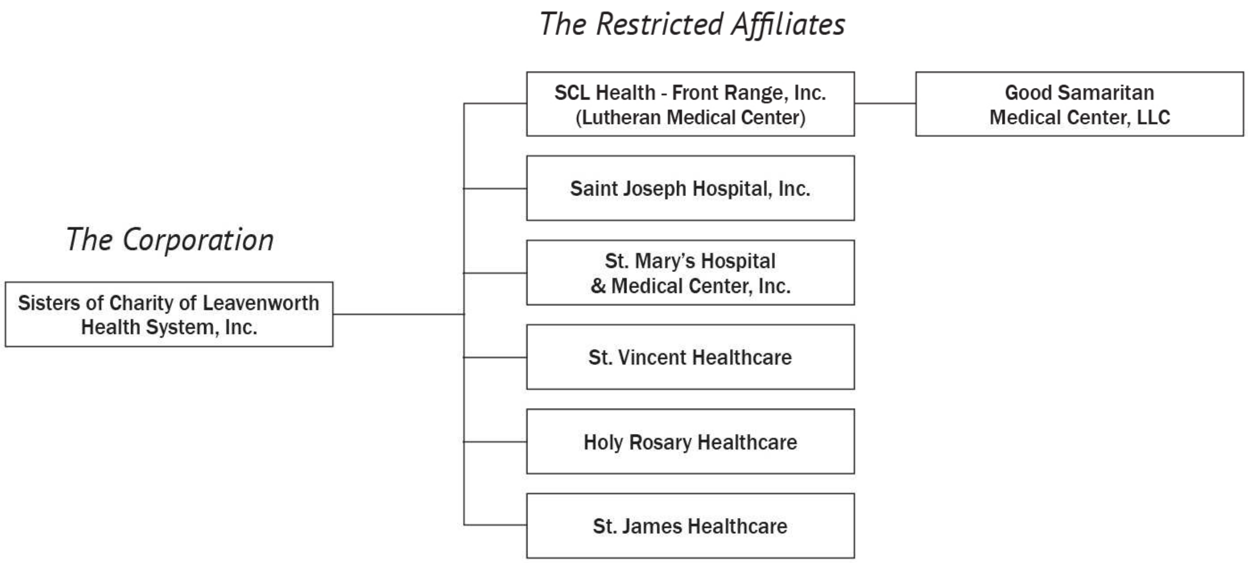
KANSAS REGION

3 Safety-Net Clinics

[1] Includes joint venture with Touchstone Imaging for 11 Front Range locations and 1 Montana location
[2] Joint operating agreement with National Jewish Health

SCL Health

ORGANIZATION CHART



SCL Health Changes

Restricted Affiliates, Affiliates and Joint Ventures

On September 16, 2021, SCL Health and Intermountain Health Care, Inc. (“Intermountain”) announced that they have signed a Letter of Intent to merge their health systems into a new, unified health system. The proposed merger would occur on terms described in the Letter of Intent, and in a definitive agreement to be negotiated between SCL Health and Intermountain. The execution of the definitive agreement and completion of the proposed merger are subject to, among other things, satisfactory completion of each party’s due diligence evaluation of the other party, review and approval of the governing bodies of SCL Health and Intermountain, and necessary regulatory and third-party approvals. The intention is that the definitive agreement will be finalized and signed by the end of 2021 and the merger will close by June 30, 2022, pending all approvals.

No other changes to the restricted affiliates, affiliates or joint ventures have occurred subsequent to the June 30, 2021 disclosure.

Corporate Governance

No changes to corporate governance have occurred subsequent to the June 30, 2021 disclosure.

Executive Management

No changes to executive management have occurred subsequent to the June 30, 2021 disclosure.

Management's Discussion and Analysis of Financial Performance

For the Nine Months Ended September 30, 2021

Summary

During the second quarter of 2021, SCL Health commenced construction on the $684 million Lutheran Medical Center replacement facility, which is expected to open in the summer of 2024. During May 2021, SCL Health recognized a $108.9 million impairment loss related to the existing Lutheran Medical Center campus, and through September 2021, accelerated depreciation of $6.4 million has been recorded.

Volumes for the first nine months of 2021 rebounded to exceed 2020 volumes in all areas, and are favorable to 2019 volumes in outpatient services. In addition, SCL Health recognized $46.0 million in Coronavirus Aid, Relief, and Economic Security (CARES) Act funds. As a result, for the nine months ended September 30, 2021, SCL Health generated operating income of $123.8 million, an operating margin of 5.3% (excluding impairment and accelerated depreciation) on total operating revenue of $2,327.5 million. Including the impairment and accelerated deprecation results, an operating income of $8.4 million and an operating margin of 0.4%. Operating cash flow[1] of $293.0 million represented an operating cash flow margin of 12.6%. Non-operating income consisted primarily of net investment income of $185.6 million.

Financial Analysis

Balance Sheet

The consolidated balance sheet of SCL Health continued to reflect a strong and stable health system. Total cash and investments at September 30, 2021 of $3.2 billion (a total of 429 days cash and investments on hand) represented an increase of $179.5 million since December 31, 2020, primarily due to operating and investment income. Excluding CMS Advance Payments ($142.8 million) and deferred employer payroll taxes ($44.3 million) due for repayment, adjusted total days cash on hand were 385 at September 30, 2021.

Total assets have increased by $226.5 million in 2021, largely due to strong investment returns and operating income. Total long-term debt, including current maturities, decreased by $31.9 million, primarily due to scheduled debt principal payments and amortization of original issuance premium costs. Current liabilities increased by $16.0 million to $820.2 million, while other non-current liabilities decreased by $0.2 million to $199.6 million. Net assets increased by $194.7 million, driven primarily by strong operating and investment income.

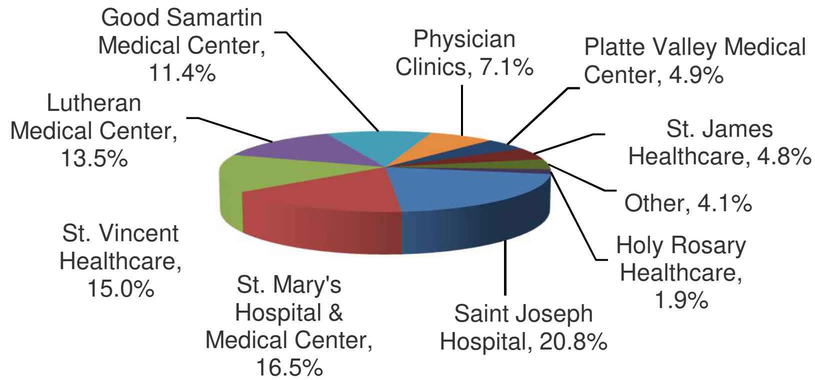
Volume and Operating Income

As we manage this stage of the pandemic, volumes have increased significantly from 2020, and are above 2019 in most outpatient measures. The year-to-date admissions, emergency visits,

(1) Defined as operating income + depreciation and amortization + interest.

surgical cases, and total outpatient visits increased 6.3%, 4.8%, 17.0%, and 13.1% respectively, from the prior year. Comparing to 2019, the year-to-date admissions and emergency visits decreased by 4.7% and 10.0%, respectively, while surgical cases and total outpatient visits increased by 4.2% and 1.0%, respectively. The average inpatient length of stay remained consistent at 5.2 days, and the case mix index remained consistent at 1.8.

As a result of the strong volumes, net patient revenue increased by $273.7 million or 14.1% during the first nine months of 2021 compared to the same period in 2020. The chart below shows, by site, the percentage of total net patient services revenue generated for the nine months of 2021:



Other operating revenue decreased by $51.0 million in 2021 over 2020 due to less CARES Act funds being recognized. Operating expenses increased by $162.9 million or 8.0% during the first nine months of 2021 compared to the same period in 2020. Salaries and benefits increased by $97.0 million or 9.0% during the first nine months of 2021 compared to 2020 primarily due to the higher volumes coupled with merit and market increases, and higher utilization of contract labor and premium pay. Supplies and other operating expenses increased by $61.7 million or 7.8% over the same period in 2020, due to a combination of higher volumes, increases in outside lab fees for COVID-19 testing, and the Medicaid Provider Fee. Depreciation expense increased by $6.9 million or 5.1% in the first nine months of 2021 compared to 2020, while interest expense declined by $2.7 million or 8.8%.

Sources of Patient Service Charges

The primary sources of consolidated gross patient service charges include Medicare, state-administered Medicaid programs, contracted rate payers (including health maintenance organizations and preferred provider organizations), commercial insurers and self-paying patients. The following information provides consolidated gross patient service charges for the nine months ended September 30, 2021 and 2020 and the year ended December 31, 2020.

	Nine Months Ended September 30		Year Ended December 31
	2021	2020	2020
Medicare	46.1%	45.1%	45.2%
Medicaid	17.1%	16.9%	16.7%
Managed care, commercial and other	33.9%	34.7%	34.9%
Self-pay	2.9%	3.3%	3.2%
Total	100.0%	100.0%	100.0%

SCL Health's payer mix is fairly stable. In the first nine months of 2021, Medicaid and Medicare increased slightly, offsetting small declines in commercial, managed care and self-pay.

Liquidity and Capital Resources

SCL Health's investments and assets limited as to use as of September 30, 2021 and December 31, 2020 were comprised of the following:

	September 30, 2021	December 31 2020
	(In Millions)	
Cash and cash equivalents	**$ 10.8**	$ 10.6
Mutual funds	**69.2**	63.0
International mutual funds and other	**40.3**	41.6
Equities	**36.3**	33.1
Real estate	**15.3**	14.7
U.S. government and agency obligations	**14.8**	14.5
Corporate debt	**4.5**	4.4
Investments held in the Comprehensive Investment Portfolio (CIP)	**2,815.6**	2,393.6
	$ 3,006.8	$ 2,575.5

At September 30, 2021 and December 31, 2020, the asset allocation percentages of the CIP, which represents the majority of SCL Health's investments, were as follows:

	September 30, 2021	December 31, 2020
Cash and cash equivalents	**-%**	1%
Equities	**43**	45
Domestic fixed income	**28**	29
Real return	**7**	6
Global infrastructure	**6**	5
Core hedge funds	**6**	6
Alternative fixed income	**5**	5
Opportunistic funds	**5**	3
	100%	100%

SCL Health's investments are exposed to various kinds and levels of risk (interest rate risk, credit risk, market risk and liquidity risk). SCL Health's investments are diversified across a broad range of asset classes, durations and funds to avoid concentrations of risk in any particular company, region or industry.

SCL Health
Liquidity Information
As of September 30, 2021 (unaudited)

Assets		*(In millions)*
Daily Liquidity		
Checking and deposit accounts at P-1 rated bank	$	104.0
Overnight Repurchase Agreements (collateralized by Treasuries/Agencies; P-1 rated counterparty)		2.3
US Treasuries & Agencies (<2-year maturity)		130.1
US Treasuries & Agencies (>2-year maturity and <10-year maturity)		69.4
US Treasuries & Agencies (>10-year maturity)		20.4
Subtotal Daily Liquidity		**326.2**
General Operating Line of Credit		225.0
Drawn Portion of Line		-
Net Available Line		**225.0**
Subtotal Daily Liquidity Including Line of Credit		**551.2**
Weekly Liquidity		
Fixed Income Securities		787.5
Equity Funds		1,006.8
Subtotal Weekly Liquidity		**1,794.3**
TOTAL DAILY AND WEEKLY LIQUIDITY		**2,345.5**
Liquidity greater than 7 days		
Funds, vehicles, investments that allow withdrawals with one week notice or more		1,110.4
TOTAL LIQUIDITY	**$**	**3,455.9**

Outstanding Long-Term Debt

	Annual Interest Rates	Sep 30, 2021	Dec 31, 2020
		(In Millions)	
Tax-exempt bond issues:			
2019, due through December 2040	4.00% to 5.00%	**$ 602.8**	$ 624.2
2016, due through December 2045	Variable rate, 0.03% and 0.81%	**111.0**	111.0
2013, due through January 2044	4.00% to 5.50%	**300.0**	300.0
2011, due through January 2039	Variable rate, 0.63% and 1.00%	**51.7**	52.9
Total under the SCL Health MTI		**1,065.5**	1,088.1
PVMC mortgages (HUD insured)	2.98%	**58.7**	62.2
Other notes and financing leases		**15.1**	12.3
		1,139.3	1,162.6
Original issue premium, net		**98.6**	107.5
Unamortized debt issuance costs		**(7.5)**	(7.8)
Current maturities of long-term debt		**(145.1)**	(193.0)
		$ 1,085.3	$ 1,069.3

Recent Debt Activity

On June 1, 2021, SCL Health executed a new five-year private placement agreement for $51.7 million of outstanding 2011A Colorado Health Facility Authority variable rate revenue bonds with Bank of America. In conjunction with the new agreement the bonds were converted from tax-exempt to taxable.

On November 17, 2020, SCL Health renewed its revolving line of credit agreement with Wells Fargo Bank, N.A. and entered a new revolving line of credit with Royal Bank of Canada. The lines of credit have two-year terms and total $225.0 million. As of September 30, 2021, there were no outstanding balances drawn on the lines of credit.

Interest Rate Swaps

SCL Health is a party to certain interest rate swap agreements utilized to hedge the interest rate risk on a portion of the variable rate bonds, which are summarized in the following table:

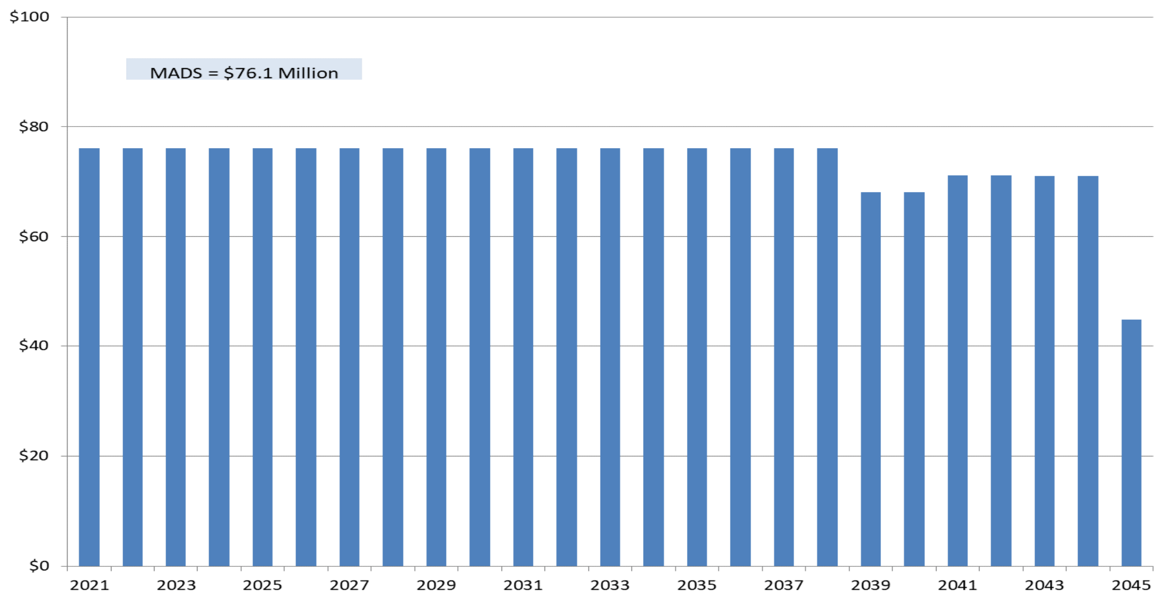
Initial Notional Amount (in millions)	Current Notional Amount (in millions)	Expiry	Rate Paid By Counterparty	Rate Paid By SCL Health	Counterparty	Fair Value [3] 09/30/2021 (in millions)
$60.0	$11.9	12-1-2023	68% of LIBOR	3.18%	MLCS[1]	$(0.4)
$60.0	$11.9	12-1-2023	SIFMA	3.79%	MLCS[1]	$(0.5)
$60.0	$60.0	12-1-2031	SIFMA	4.22%	Wells Fargo[2]	$(14.3)

(1) Merrill Lynch Capital Services, Inc.
(2) Wells Fargo Bank, N.A.
(3) The fair value of the swap agreements was calculated by Ponder & Co. at the request of SCL Health using Bloomberg mid-market closing swap curves as reported by Bloomberg as of September 30, 2021 and excluding accrued interest.

The swap agreements do not presently require SCL Health to post collateral to secure the counterparty's credit exposure. There can be no assurance that SCL Health will not be required to post collateral on any swaps entered into in the future. In addition, market conditions have resulted in swap valuations that would currently obligate SCL Health to make termination payments on existing interest rate hedge agreements, if such swap agreements are terminated.

The provisions of the above-referenced interest rate hedge agreements permit SCL Health to terminate them at any time upon payment of any required termination payments.

Estimated Annual Debt Service at 09/30/21 (In Millions)



(1) Excludes financing and operating leases
(2) Excludes cash flows associated with $84 million of fixed payor swaps which are not associated with specific bond issues
(3) Assumes Interest Rate on variable rate debt of 2.50% per annum

Ratings

In August 2021, S&P Global affirmed its rating of ‘AA-’ with a stable outlook. In September 2021, Moody’s Investor Services affirmed its rating of ‘Aa3’ with a stable outlook and Fitch Ratings affirmed its rating of ‘AA-‘ with a stable outlook.

Subsequent Events

On October 14, 2021, SCL announced that Jen Alderfer, MBA, MHA, FACHE, has been named President of the Montana Region and of St. Vincent Healthcare in Billings, Montana. She previously served as both President of Good Samaritan Medical Center in Lafayette, Colorado and as Transformation Officer for SCL Health. Ms. Alderfer will assume her new role on November 29, 2021.

On November 2, 2021, SCL Health announced that Dawn J. Anuszkiewicz, MHSA, has been named President of Good Samaritan Medical Center in Lafayette, Colorado. Most recently she served as the Chief Operating Officer of Reading Hospital – Tower Health in West Reading, Pennsylvania. Ms. Anuszkiewicz will assume her role on November 29, 2021.

Forward-Looking Statements

This Quarterly Report contains disclosures which constitute "forward-looking statements." Forward-looking statements include all statements that do not relate solely to historical or current facts, and can be identified by the use of words like "may," "believe," "will," "expect," "project," "estimate," "anticipate," "plan," "initiative" or "continue." These forward-looking statements are based on the current plans and expectations of SCL Health and are subject to a number of known and unknown uncertainties and risks, many of which are beyond SCL Health's control that could significantly affect current plans and expectations and SCL Health's future financial position and results of operations. These factors include, but are not limited to, (i) the highly competitive nature of the health care business, (ii) the efforts of insurers, health care providers and others to contain health care costs, (iii) possible changes in the Medicare and Medicaid programs (including changes to Medicare outlier payments) that may impact reimbursements to health care providers and insurers, (iv) the ability to achieve expected levels of patient volumes and control the costs of providing services, (v) changes in Federal, state or local regulations affecting the health care industry, (vi) the ability to attract and retain qualified management and personnel, including affiliated physicians, nurses and medical support personnel, (vii) liabilities and other claims asserted against SCL Health (vii) changes in accounting practices, (ix) changes in general economic conditions including growing numbers of uninsured and unemployed patients, (x) changes in revenue mix and the ability to enter into and renew managed care provider arrangements on acceptable terms and (xii) the collectability of uninsured accounts and deductible and co-pay amounts. As a consequence, current plans, anticipated actions and future financial position and results of operations may differ from those expressed in any forward-looking statements made by or on behalf of SCL Health. You are cautioned not to unduly rely on such forward-looking statements when evaluating the information presented in this report, including in "Management's Discussion and Analysis of Financial Performance."

Financial Analysis and Utilization Statistics Summary

The Consolidated Statements of Operations and Changes in Net Assets in the attached Financial Statements for SCL Health are a summary of activity for the nine months ended September 30, 2021 and September 30, 2020. The Consolidated Balance Sheets and Utilization Statistics with respect to the years ended December 31, 2020 and 2019 should be read in conjunction with the Audited Financial Statements, including the notes thereto, and the reports of Ernst & Young LLP, independent auditors.

The information discussed below and illustrated in the various financial tables is generally derived from the consolidated financial statements which are in conformity with U.S. generally accepted accounting principles, except for the omission of Notes to Consolidated Financial Statements. The two major indicators, Operating Indicator and Performance Indicator, respectively known as Income from Operations and Excess of Revenues over Expenses, are defined terms and are generally fully detailed in the Notes to Consolidated Financial Statements from the December 31, 2020 Audited Financial Statements within the section entitled, "Summary of Significant Accounting Policies."

SCL Health

Financial Analysis of Consolidated Continuing Operations (Unaudited)
(Dollars in Millions)

	Nine Months Ended September 30		Twelve Months Ended December 31	
	2021	2020	2020	2019
Operating Margin(1)	5.3%	3.0%	3.6%	5.2%
Total Margin(1)	7.6%	5.7%	11.2%	12.6%
EBITDA Margin(2)	12.6%	10.9%	11.4%	13.3%
Return on Net Assets(1)	6.6%	4.8%	9.5%	11.9%
Debt Service Coverage(3)	8.2x	4.5x	5.0x	4.9x
Total Cash and Investments	$3,230.9	$2,991.4	$3,051.4	$2,418.2
Unrestricted Cash and Investments(4)	$3,088.0	$2,844.5	$2,910.1	$2,294.0
Days Cash on Hand – Total(4)	429	428	431	350
Days Cash on Hand – Unrestricted(5)	410	407	411	334
Cushion Ratio(6)	44.3x	35.2x	39.2x	27.2x
Unrestricted Cash to Net Long-Term Debt	258.1%	230.0%	236.2%	181.1%
Debt to Capitalization	24.2%	28.6%	25.7%	28.5%

(1) Excludes $108.9 million impairment and $6.5 million of accelerated depreciation of the current Lutheran Medical Center campus

(2) EBITDA = earnings before interest, taxes, depreciation, amortization, and impairment. EBITDA margin = (operating income + interest + depreciation)/operating revenue.

(3) Debt service coverage requirements exclude operating leases as indicated in the 2019 MTI

(4) Excludes assets limited as to use and net assets with donor restrictions subject to endowment spending policy

(5) Days Cash on Hand – Total = Total Cash and Investments / ((trailing 12-months total operating expenses – trailing 12-months depreciation and amortization) / 365)

(6) Days Cash on Hand – Unrestricted = Unrestricted Cash and Investments / ((trailing 12-months total operating expenses – trailing 12-months depreciation and amortization) / 365)

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Utilization Statistics – Consolidated Operations (Unaudited)

	Nine Months Ended September 30		Twelve Months Ended December 31	
	2021	2020	2020	2019
Licensed Beds	1,933	1,933	1,933	1,933
Available Beds	1,811	1,787	1,796	1,801
Admissions – Acute	52,938	49,989	67,635	73,735
Admissions – Total(1)	56,505	53,178	71,972	78,495
Adjusted Admissions(2)	116,181	105,412	141,699	156,591
Expense per CMIAA(3)	$8,007	$8,348	$8,335	$7,668
Newborn Deliveries	8,703	8,779	11,471	11,986
Patient Days – Acute	256,183	236,121	325,670	331,567
Patient Days – Total	291,348	271,835	373,143	382,887
Adjusted Patient Days(4)	604,102	542,303	740,128	764,978
Occupancy on Available Beds	58.9%	55.5%	58.8%	58.2%
Average Daily Census	1,067	992	1,020	1,049
Average Length of Stay	5.2	5.1	5.2	4.9
Emergency Room Visits(6)	204,317	194,980	257,921	300,640
Outpatient Visits(5) (6)	658,564	572,255	782,809	840,592
Inpatient Surgeries	13,728	13,562	18,118	21,386
Outpatient Surgeries(6)	38,552	31,134	43,255	45,604
Full Time Equivalent Employees	13,893	13,429	13,491	13,464

(1) Admissions include Rehabilitation Hospital of Montana joint venture

(2) Adjusted Admissions = Total Admissions + (Outpatient Revenue/(Inpatient Revenue/Total Admissions))

(3) Expense per CMIAA = Acute Hospital costs (excluding Medicare Provider Fees, depreciation, interest, and impairment) / Case Mix index Adjusted Admissions

(4) Adjusted Patient Days = Total Patient Days + (Outpatient Revenue/(Inpatient Revenue/Total Patient Days))

(5) Outpatient Visits = Includes hospital based clinic visits, home health visits and all outpatient ancillary visits except surgeries, emergency department visits and observation cases.

(6) Statistics for emergency room visits, outpatient visits and outpatient surgeries include joint venture activity. Joint ventures included are Yellowstone Surgery Center, LLC, Denver West Endoscopy, LLC, E+PET Imaging X, LP, Lutheran Campus ASC, LLC, Touchstone Imaging, GI Endoscopy – Northglenn, Summit Surgery Center, Grand Valley Surgical Center, LLC and San Juan Cancer Center.

SCL Health
Consolidated Balance Sheets

	Unaudited September 30 2021	Audited December 31 2020
	(In Millions)	
Assets		
Current assets:		
Cash and cash equivalents	**$ 224.1**	$ 475.9
Current portion of investments	**150.7**	160.4
Accounts receivable:		
Patient	**353.5**	267.2
Other	**139.6**	101.0
Inventory	**58.9**	56.8
Prepaid and other assets	**33.4**	53.5
Total current assets	**960.2**	1,114.8
Investments:		
Investments, net of current portion	**2,764.9**	2,321.4
Assets limited as to use:		
Self-insured risks	**70.0**	72.5
Trustee-held funds	**21.2**	21.2
	91.2	93.7
Land, buildings, and equipment, net	**2,063.6**	2,148.8
Other assets:		
Investments in joint ventures	**43.0**	33.0
Operating lease right-of-use assets	**93.6**	77.8
Other assets	**31.7**	32.2
	168.3	143.0
Total assets	**$ 6,048.2**	$ 5,821.7

SCL Health

Consolidated Balance Sheets (continued)

	Unaudited September 30 2021	Audited December 31 2020
	(In Millions)	
Liabilities and net assets		
Current liabilities:		
Accounts payable and accrued expenses	**$ 327.0**	$ 235.4
Accrued salaries, wages, and benefits	**138.7**	123.6
Advanced payments	**142.8**	183.2
Third-party settlements	**46.0**	49.1
Current maturities of long-term obligations	**145.1**	193.0
Operating lease liability	**20.6**	19.9
Total current liabilities	**820.2**	804.2
Other noncurrent liabilities:		
Reserve for self-insured risks	**29.7**	40.9
Long-term operating lease liability	**78.2**	64.0
Other liabilities	**91.7**	94.9
	199.6	199.8
Long-term debt, net of current maturities	**1,085.3**	1,069.3
Total liabilities	**2,105.1**	2,073.3
Net assets:		
Net assets attributable to SCL Health	**3,849.6**	3,655.4
Net assets attributable to non-controlling interest	**1.4**	1.9
Total net assets without donor restrictions	**3,851.0**	3,657.3
Net assets with donor restrictions	**92.1**	91.1
Total net assets	**3,943.1**	3,748.4
Total liabilities and net assets	**$ 6,048.2**	$ 5,821.7

SCL Health

Consolidated Statements of Operations

	Unaudited Nine Months Ended September 30	
	2021	2020
	(In Millions)	
Operating Revenue:		
Net patient service revenue	$ 2,210.6	$ 1,936.9
Other operating revenue	116.9	167.7
Total operating revenue	2,327.5	2,104.6
Operating Expenses:		
Salaries and wages	974.1	885.3
Associate benefits	203.8	195.6
Supplies	417.7	371.1
Other operating expenses	438.8	423.7
Depreciation and amortization	141.3	134.4
Interest and amortization	28.0	30.7
Total operating expenses	2,203.7	2,040.8
Income from continuing operations before accelerated depreciation and impairment	123.8	63.8
Accelerated depreciation and impairment	115.4	-
Income from continuing operations	8.4	63.8
Non-operating income (expense)		
Income tax expense	(2.7)	(2.9)
Investment income	185.6	61.6
Total non-operating income	182.9	58.7
Excess of revenue over expenses	191.3	122.5
Less amounts attributable to non-controlling interest	1.4	0.9
Excess of revenue over expenses attributable to SCL Health	$ 189.9	$ 121.6

SCL Health

Consolidated Statements of Changes in Net Assets

	Unaudited Nine Months Ended September 30	
	2021	**2020**
	(In Millions)	
Net assets without donor restriction		
Excess of revenue over expenses	**$ 191.1**	$ 122.5
Amortization of accumulated losses on interest rate swaps	**1.5**	1.4
Distributions to non-controlling interest	**(1.8)**	(1.1)
Net assets released for capital acquisitions	**3.4**	0.2
Other	**(0.5)**	(2.0)
	193.7	121.0
Net assets with donor restrictions		
Contributions	**6.7**	12.6
Net investment income	**5.0**	3.1
Net assets released from restrictions	**(11.2)**	(13.6)
Other	**0.5**	2.0
	1.0	4.1
Increase in net assets	**194.7**	125.1
Beginning net assets	**3,748.4**	3,346.4
Ending net assets	**$ 3,943.1**	$ 3,471.5

SCL Health

Consolidated Statements of Cash Flows

	Unaudited Nine Months Ended September 30	
	2021	2020
	(In Millions)	
Operating activities		
Increase in net assets	**$ 194.7**	$ 125.1
Adjustments to reconcile increase in net assets to net cash provided by (used for) operating activities:		
Depreciation and amortization	**139.1**	125.6
Noncash lease expense	**16.9**	20.4
Impairment of buildings and equipment	**108.9**	–
Amortization of accumulated losses on interest rate swaps	**(1.4)**	(1.4)
Restricted contributions	**(6.7)**	(12.6)
Net income from joint ventures	**(14.5)**	(8.5)
Net (gain) loss from disposal of assets	**(3.1)**	2.3
(Increase) decrease in accounts receivable	**(124.9)**	59.2
Increase in investments and assets limited as to use	**(431.3)**	(474.6)
Decrease in other assets	**18.5**	19.1
Increase in other liabilities	**32.4**	182.1
Net cash provided by (used for) operating activities	**(71.4)**	36.7
Investing activities		
Acquisition of land, buildings and equipment	**(169.8)**	(125.6)
Proceeds from disposal of land, buildings and equipment	**5.8**	–
Distributions from investments in joint ventures	**4.5**	6.4
Net cash used in investing activities	**(159.5)**	(119.2)
Financing activities		
Contributions with donor restrictions	**6.7**	12.6
Proceeds from draws on lines of credit	**–**	200.0
Payments on bonds, notes and capital lease obligations	**(27.6)**	(31.6)
Net cash provided by (used for) financing activities	**(20.9)**	181.0
Net increase (decrease) in cash, cash equivalents, and restricted cash	**(251.8)**	98.5
Beginning cash and cash equivalents	**475.9**	215.0
Ending cash and cash equivalents	**$ 224.1**	$ 313.5

Restricted Affiliates Statistics and Financial Ratios

The financial and statistical tables which follow are presented for the continuing operations of the Obligated Group under the Master Indenture (Restricted Affiliates). A complete list of the Restricted Affiliates can be found in the 2020 Consolidated Financial Statements.

Historical Capitalization Ratio (*Unaudited*)

The following table presents the capitalization of continuing operations of SCL Health Restricted Affiliates as of September 30, 2021 and December 31, 2020 and 2019.

	Restricted		
	September 30	December 31	
	2021	2020	2019
		(In Millions)	
Long-term debt:			
Master Indenture debt (net of original issue premium and issuance costs, net)	**$ 1,156.6**	$ 1,187.8	$ 1,228.3
Other long-term indebtedness	**14.2**	12.2	5.8
Total long-term debt	**1,170.8**	1,200.0	1,234.1
Less current maturities	**(140.2)**	(188.3)	(141.0)
Plus variable rate demand bonds not scheduled as principal payments	**111.0**	162.7	111.0
Net long-term debt	**1,141.6**	1,174.4	1,204.1
Net assets attributable to obligated group without donor restrictions	**3,663.3**	3,393.4	3,016.5
Total capitalization	**$ 4,804.9**	$ 4,567.8	$ 4,220.6
Percent of net long-term debt to total capitalization	**23.8%**	25.7%	28.5%

Historical Debt Service Coverage Requirements (*Unaudited*)

The table below presents the debt service coverage for the continuing operations of SCL Health Restricted Affiliates for the nine months ended September 30, 2021 and the years ended December 31, 2020 and 2019.

	Restricted		
	Nine Months Ended September 30	Year Ended December 31	
	2021	2020	2019
		(In Millions)	
Income available for debt service:			
Excess of revenue over expenses attributable to SCL Health	**$ 248.9**	$ 335.8	$ 363.6
Loss on early extinguishment of debt	**–**	–	4.0
Change in net unrealized losses	**(26.9)**	(179.9)	(188.0)
Depreciation and amortization (including accelerated depreciation and impairment)	**241.4**	165.3	161.7
Interest	**26.4**	37.7	50.2
Total income available for debt service	**$ 489.8**	$ 358.9	$ 391.5
Consolidated annual debt service requirements[1]	**$ 62.8**	$ 69.5	$ 79.8
Actual debt service coverage ratio – all long-term debt[2]	**10.4x**	5.2x	4.9x

(1) Annual debt service = principal paid + interest paid
(2) Debt service coverage = total income available for debt service / annual debt service. Nine months debt service calculation is annualized.

Financial Performance (*Unaudited*)

The following table highlights the financial results for continuing operations of SCL Health Restricted Affiliates for the nine months ended September 30, 2021 and the years ended December 31, 2020 and 2019. The impairment of the Lutheran Medical Center Campus has been included in operating income for these calculations.

	Restricted		
	Nine Months Ended September 30	Year Ended December 31	
	2021	2020	2019
EBITDA margin[1]	**16.9%**	12.7%	14.7%
Operating margin[2]	**3.9%**	4.3%	5.8%
Return on net assets[3]	**9.1%**	9.9%	12.1%
Debt service coverage[4]	**10.4x**	5.2x	4.9x
Days cash on hand - unrestricted [5]	**465**	473	382
Cushion ratio[6]	**47.3x**	40.3x	27.4x

(1) EBITDA margin = (operating income + interest + depreciation + Impairment) / operating revenue.
(2) Operating margin = operating income / operating revenue
(3) Return on net assets = excess of revenue over expenses / unrestricted net assets. Nine months return on net assets calculation is annualized.
(4) Debt service coverage = (excess of revenue over expenses – change in unrealized gains (losses), net + depreciation and amortization + interest and amortization + Impairment) / annual debt service.
(5) Days cash on hand – unrestricted = unrestricted cash and investments / ((total operating expenses – depreciation, amortization, and impairment) / cumulative days).
(6) Cushion ratio = (cash and cash equivalents + investments + trustee-held funds) / annual debt service.