



**Office of the Washington State Auditor
Pat McCarthy**

August 31, 2023

Board of Trustees
Harborview Medical Center
Seattle, Washington

**Contracted CPA Firm's Audit Report on Financial Statements and
Federal Single Audit**

We have reviewed the audit report issued by a certified public accounting (CPA) firm on the financial statements and compliance with federal grant requirements of the Harborview Medical Center for the fiscal year ended June 30, 2021 and 2020. The Medical Center contracted with the CPA firm for this audit and requested that we accept it in lieu of performing our own audit.

Based on this review, we have accepted this report in lieu of the audit required by RCW 43.09.260. The Office of the Washington State Auditor did not audit the accompanying financial statements or the Harborview Medical Center's compliance with federal grant agreements and, accordingly, we do not express an opinion on those financial statements or on compliance.

This report is being published on the Office of the Washington State Auditor website as a matter of public record.

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

Americans with Disabilities

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**HARBORVIEW MEDICAL CENTER
UNIFORM GUIDANCE FOR FEDERAL AWARDS**

Independent Auditor's Report in Accordance with the
Uniform Guidance for Federal Awards

Year Ended June 30, 2021

**HARBORVIEW MEDICAL CENTER
UNIFORM GUIDANCE FOR FEDERAL AWARDS**

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KPMG LLP
Suite 2900
1918 Eighth Avenue
Seattle, WA 98101

Independent Auditors' Report

The Board of Trustees
Harborview Medical Center:

We have audited the accompanying financial statements of the business-type activities, of Harborview Medical Center (Medical Center), a component unit of King County as of and for the year ended June 30, 2021 and June 30, 2020, and the related notes to the financial statements, which collectively comprise the Medical Center's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity'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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Harborview Medical Center, as of June 30, 2021 and 2020, and the changes in financial position and cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.



Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that management's discussion and analysis on pages 3 – 17 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2021 on our consideration of the Medical Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Medical Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Medical Center's internal control over financial reporting and compliance.

KPMG LLP

Seattle, Washington
October 8, 2021

HARBORVIEW MEDICAL CENTER
(A Component Unit of King County)
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Management's Discussion and Analysis

June 30, 2021 and 2020

(Dollar amounts in thousands)

(Unaudited)

The following discussion and analysis provides an overview of the financial position and activities of Harborview Medical Center (Harborview) for the years ended June 30, 2021 and 2020. This discussion has been prepared by management and is designed to focus on current activities, resulting changes, and current known facts. It should be read in conjunction with the basic financial statements and accompanying notes that follow this section.

Harborview is owned by King County, governed by a county-appointed board of trustees, and managed through a Hospital Services Agreement effective February 25, 2016 between the University of Washington (the University) and King County. Harborview is part of UW Medicine, which also includes University of Washington Medical Center (UW Medical Center), UW Medicine/Northwest dba Northwest Hospital & Medical Center (Northwest Hospital), which was a separate legal entity through December 31, 2019, Valley Medical Center (VMC), UW Neighborhood Clinics (UWNC), UW Physicians (UWP), UW School of Medicine (the School), Airlift Northwest (Airlift), and UW Medicine Shared Services. Effective January 1, 2020, Northwest Hospital was integrated into UW Medical Center as its second campus, and its assets and liabilities were transferred to UW Medical Center.

Using the Financial Statements

The financial report consists of two parts: management discussion and analysis and the basic financial statements. Harborview's basic financial statements consist of three statements: statements of net position; statements of revenues, expenses, and changes in net position; and statements of cash flows. These financial statements and related notes provide information about the activities of Harborview, including resources held by Harborview but restricted for specific purposes by contributors, grantors, or enabling legislation.

The statements of net position include all of Harborview's assets and liabilities using the accrual basis of accounting as well as an indication about which assets can be used for general purposes and which are designated for a specific purpose. The statements of net position also include information to evaluate the capital structure of Harborview and assess the liquidity and financial flexibility of Harborview.

The statements of revenues, expenses, and changes in net position report all of the revenues and expenses during the time period indicated. Net position, the difference between the sum of assets and the sum of liabilities, is one way to measure the financial health of Harborview and whether the organization has been able to recover all its costs through net patient service revenues and other revenue sources.

The statements of cash flows report the cash provided by Harborview's operating activities as well as other cash sources, such as investment income and cash payments for capital additions and improvements and funding to affiliates. These statements provide meaningful information on where Harborview's cash was generated and what it was used for.

Results of Operations

The novel coronavirus (COVID-19) was identified in China in December 2019 and the first case in Washington State was discovered in January 2020. COVID-19 has spread globally creating a pandemic, which has

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significantly impacted the economic conditions at a local, national, and international level. On February 29, 2020, the governor of the state of Washington declared a state of emergency to ensure the swift deployment of resources necessary to address coronavirus in Washington and the forecasted potential surge of COVID-19 patients. On March 13, 2020, President Trump declared a national state of emergency with respect to the COVID-19 outbreak, ordering all states to establish emergency operations and authorizing the use of federal funds. Both the national state of emergency and Washington state of emergency continued through fiscal year 2021. COVID-19 cases fluctuated throughout the fiscal year and Harborview experienced multiple COVID-19 surges.

In response to the many COVID-19 surges, Harborview cancelled or postponed certain inpatient non-emergent and elective procedures in order to preserve inpatient capacity. The cancellation of certain procedures had an impact on volumes and revenues in the fiscal year. At the same time, Harborview continues to experience increased costs related to the COVID-19 response, including elevated costs of medical supplies and an increase in labor expense. In fiscal year 2021, Harborview and UW Medicine launched COVID-19 mass vaccination sites and mobile vaccination operations to ensure that our employees, patients, and vulnerable community had access to vaccines. UW Medicine and Harborview's pandemic response continues to evolve. Harborview has received donations to provide testing and vaccinations to the vulnerable community and homeless population.

Harborview reported an operating loss of \$10,419 and an increase in net position of \$6,293 for the year ended June 30, 2021 compared to operating income of \$5,646 and an increase in net position of \$27,197 for the year ended June 30, 2020. The increase in net position in fiscal year 2021 is primarily attributed to nonoperating revenues that are associated with the recognition of provider relief funds, other funding associated with COVID-19, and investment income received.

For the year ended June 30, 2020, Harborview reported operating income of \$5,646 and an increase in net position of \$27,197 compared to operating income of \$41,969 and an increase in net position of \$30,948 for the year ended June 30, 2019. Despite having decreased volumes attributed to COVID-19, Harborview experienced greater contract pharmacy revenues and lower nonlabor expenses due to the decreased volumes. The increase in net position in fiscal year 2020 was primarily attributed to an increase in nonoperating

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revenues, which were associated with COVID-19 federal stimulus funding and investment income received in fiscal year 2020.

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Operating revenues	\$ 1,129,251	1,048,870	1,069,545
Operating expenses	<u>1,139,670</u>	<u>1,043,224</u>	<u>1,027,576</u>
(Loss) income from operations	<u>(10,419)</u>	<u>5,646</u>	<u>41,969</u>
Investment income, net	5,432	6,744	6,755
Federal stimulus funding	17,471	31,016	—
Other, net	<u>(6,501)</u>	<u>(16,359)</u>	<u>(21,385)</u>
Nonoperating revenues (expenses)	<u>16,402</u>	<u>21,401</u>	<u>(14,630)</u>
Income before other changes in net position	5,983	27,047	27,339
Other changes in net position	<u>310</u>	<u>150</u>	<u>3,609</u>
Increase in net position	6,293	27,197	30,948
Net position, beginning of year	<u>730,817</u>	<u>703,620</u>	<u>672,672</u>
Net position, end of year	<u>\$ 737,110</u>	<u>730,817</u>	<u>703,620</u>

The following table presents Harborview's key performance indicators for June 30, 2021, 2020, and 2019:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Licensed beds	413	413	413
Admissions	15,112	15,329	16,073
Patient days	151,432	140,502	147,649
Average length of stay	10.0	9.2	9.2
Occupancy	101 %	93 %	98 %
Case mix index (CMI)	2.62	2.43	2.42
Surgery cases	17,833	16,228	16,248
Emergency room visits	47,369	53,550	55,545
Primary care clinic visits	80,596	76,591	81,767
Specialty care clinic visits	178,531	152,261	176,639
Trauma cases	6,573	5,891	6,418
Full-time equivalents (FTEs)	4,544	4,471	4,454

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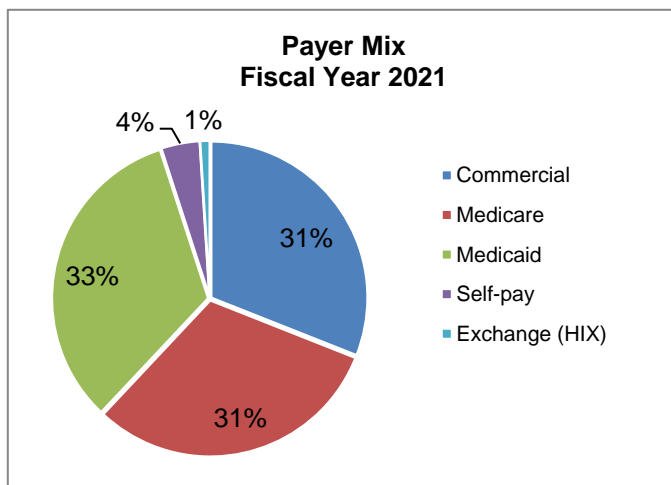
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In fiscal year 2021, Harborview experienced a decline in admissions due to an increased length of stay resulting from patient discharge barriers. In addition, Harborview experienced high case mix acuity and additional surges in COVID-19 cases. In fiscal year 2020, Harborview experienced a decline in admissions due to the mandatory cancellation and postponement of procedures and surgeries from mid-March to mid-May as a result of COVID-19.

Operating Revenues

Operating revenues consist primarily of net patient service revenues and other revenue. Net patient service revenues are recorded based on standard charges less contractual adjustments, financial assistance, and a provision for uncollectible accounts. Harborview has agreements with federal and state agencies and commercial payers that provide for payments at amounts that differ from gross charges. Harborview provides care at no charge to patients who qualify under Harborview's financial assistance policy. In addition, Harborview estimates the amount of accounts receivable due from patients that will become uncollectible, which is also reported as a reduction of net patient service revenues. The difference between gross charges and the estimated net realizable amounts from payers and patients is recorded as an adjustment to charges. The resulting net patient service revenue is shown in the statements of revenues, expenses, and changes in net position.

Net patient service revenues comprise both inpatient and outpatient revenue. Outpatient revenue consists of hospital-based, clinic professional fees, and retail pharmacy revenues. Other revenue is comprised of hospital-related revenues such as grants, contract pharmacy revenue, as well as parking and cafeteria revenues.



Harborview's payer mix is a key factor in the overall financial operating results. The chart to the left illustrates payer mix for fiscal year 2021 gross patient service revenue. For the years ended June 30, 2021 and 2020, Medicaid revenue represented 33% and 32%, respectively; Commercial revenue represented 31% for both years; Medicare revenue represented 31% and 32%, respectively; Self-pay revenue represented 4% for both years; and Exchange revenue represented 1% for both years.

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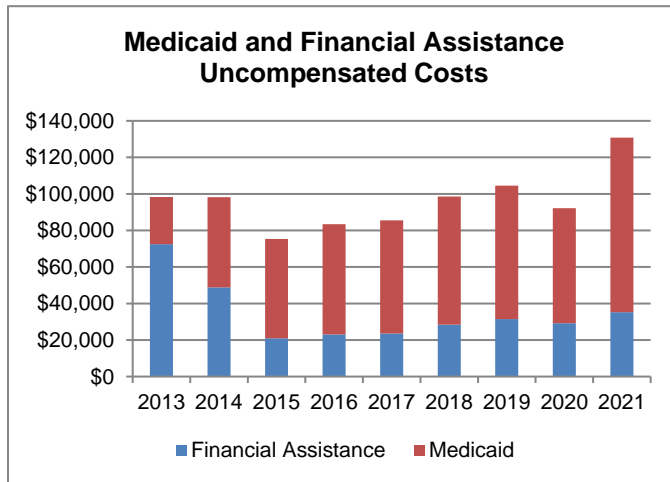
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Uncompensated care costs, as illustrated in the chart below, represent costs in excess of reimbursement for Medicaid and financial assistance patients. This chart does not include all uncompensated costs, such as providing care to Medicare patients. Over the past several years, the cost of providing care to Medicaid patients has increased.



Reimbursement from governmental payers is below commercial rates. Reimbursement rules are complex and subject to both interpretation and retrospective settlements. Harborview has significant government revenues subject to settlements as a result of Medicaid and Medicare revenues.

For the years ended June 30, 2021, 2020, and 2019, Harborview's total operating revenues were \$1,129,251, \$1,048,870, and \$1,069,545, which was comprised of \$1,020,792, \$933,035, and \$962,042, in net patient service revenues and \$108,459, \$115,835, and \$107,503, in other revenue, respectively. The increase in operating revenues for fiscal year 2021 of \$80,381 is driven by net patient

service revenue as a result of higher acuity and case mix index and an increase in volumes. The decrease in operating revenues for fiscal year 2020 was primarily attributed to the decrease in net patient service revenue related to the mandatory cancellation of non-emergent and elective procedures because of the initial COVID-19 surge. Harborview experienced an increase in contract pharmacy revenue which is recorded within other revenue on the statements of revenues, expenses, and changes in net position, which partially offset the reduction in net patient service revenue.

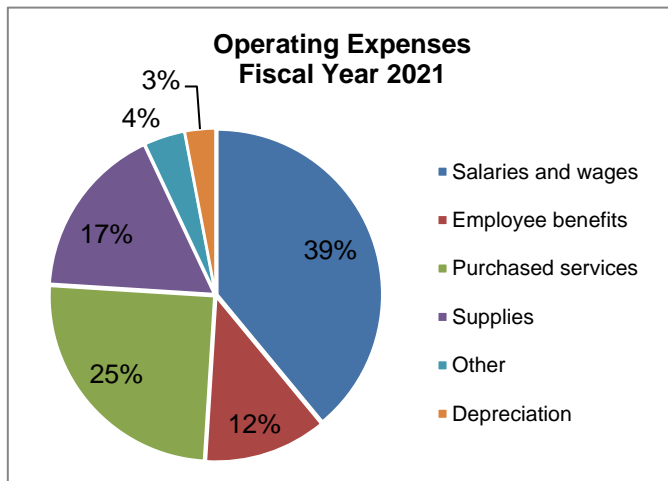
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Operating Expenses

Operating expenses were \$1,139,670 for fiscal year 2021 compared to \$1,043,224 for fiscal year 2020 and \$1,027,576 for fiscal year 2019. The composition of fiscal year 2021 operating expenses is illustrated in the chart to the left.

Salaries and wages increased \$39,395 from \$409,213 in fiscal year 2020 to \$448,608 in fiscal year 2021. The increase in salaries and wages in the current year is primarily attributed to an increase in FTEs and higher contract labor hourly rates. Contract labor hourly rates increased as a result of demand nationwide associated with COVID-19.

Salaries and wages increased \$19,125 from \$390,088 in fiscal year 2019 to \$409,213 in fiscal year 2020. The increase in salaries and wages in fiscal year 2020 was primarily attributed to employee merit increases and a slight increase in FTEs. Despite the decrease in volumes, there was a need to retain historical staffing levels in response to the COVID-19 pandemic.

Employee benefits increased \$749 from \$141,706 in fiscal year 2020 to \$142,455 in fiscal year 2021 and increased \$4,154 from \$137,552 in fiscal year 2019 to \$141,706 in fiscal year 2020. Between fiscal year 2020 and fiscal year 2021, the University benefit load rate for classified and professional employees decreased as a result of reduced healthcare expenses and employer pension contributions, which offset the increase in employee benefits expense driven by an increase in FTEs.

Between fiscal year 2019 and fiscal year 2020, the benefit load rate for classified employees increased 0.7% from 40.5% to 41.2% because of increased healthcare expenses. The University benefit load rate for professional employees decreased 2.0% from 34.1% to 32.1% as a result of employer pension contributions.

Purchased services, which consist of UW Medicine shared services, clinical department funding to the School, resident, and other purchased service expenses increased \$24,756 from \$255,060 in fiscal year 2020 to \$279,816 in fiscal year 2021 and decreased \$1,751 from \$256,811 in fiscal year 2019 to \$255,060 in fiscal year 2020. The increase in purchased services in fiscal year 2021 is driven by increased costs associated with Destination: One, the implementation of a single electronic health record system which allows us to improve the experience for our patients as well as to achieve clinical quality, safety and workflow efficiencies through standardization. This was fully implemented in March 2021. Additionally, there was an increase in clinical department funding to the School as a result of an increase in volumes during the year.

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The decrease in purchased services in fiscal year 2020 was driven by a decrease in clinical department funding to the School offset by increased costs associated with Destination: One, the Epic clinical transformation program.

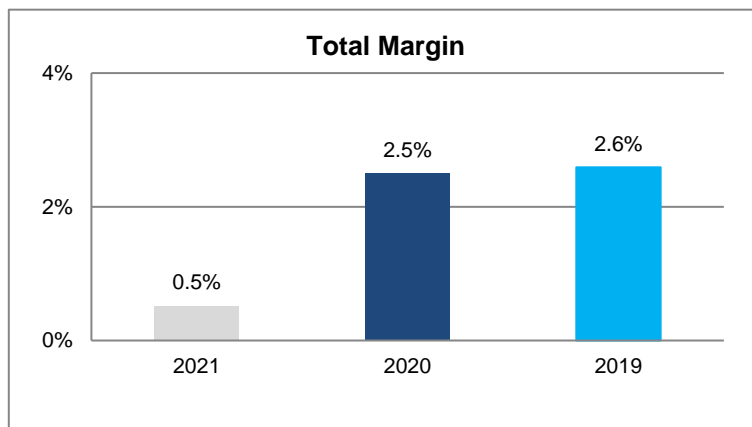
Supplies expense includes medical, surgical, pharmaceutical, and nonmedical supplies. In total, these expenses increased \$23,990 from \$169,137 in fiscal year 2020 to \$193,127 in fiscal year 2021 and decreased \$1,096 from \$170,233 in fiscal year 2019 to \$169,137 in fiscal year 2020. The increase in supplies expense between fiscal years 2021 and 2020 was driven by higher pharmaceutical and prosthesis expenses as a result of an increase in volumes in fiscal year 2021.

The decrease in supplies expense between fiscal years 2020 and 2019 was due to lower nonmedical supplies. Medical supplies were consistent with the prior year as higher pharmaceutical expenses offset lower prosthesis and blood expense as a result of a decrease in procedures due to COVID-19.

Nonoperating Revenues (Expenses)

Nonoperating revenues (expenses) consist primarily of investment income, donations, intergovernmental transfer expense, strategic funding to UW Medicine entities, mission support paid to King County, state appropriations, and COVID-19 federal stimulus funding. In fiscal year 2021, net nonoperating revenues decreased \$4,999 from \$21,401 for the year ended June 30, 2020 to \$16,402 at June 30, 2021. The decrease is due to the difference in the amount of COVID-19 federal stimulus funding recognized between the two fiscal years. In fiscal year 2021, Harborview recognized \$17,471 compared to \$31,016 in the prior year. Additionally, at June 30, 2021, the investment pool performance was 0.75% compared to 1.38% in fiscal year 2020.

Net nonoperating revenues increased \$36,031 from \$14,630 of net nonoperating expenses for the year ended June 30, 2019 to \$21,401 in net nonoperating revenues at June 30, 2020. In 2020, the increase was driven by the recognition of federal stimulus funding of \$31,016 related to COVID-19. At June 30, 2020, the investment pool performance was 1.38% compared to 2.31% in fiscal year 2019.



Total Margin

Total margin or excess margin is a ratio that defines the percentage of total revenue (operating plus nonoperating) that has been realized in the form of net income before capital contributions, additions to permanent endowments, and other and is a common measure of total hospital profitability. Total margin for the fiscal years 2021, 2020, and 2019 is illustrated in the chart to the left.

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Financial Analysis

Statements of Net Position

The table below is a presentation of certain condensed financial information derived from Harborview's statements of net position as of the fiscal years ended June 30, 2021, 2020, and 2019:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Current assets	\$ 581,936	575,892	464,606
Noncurrent assets:			
Capital assets, net	268,894	286,279	284,981
Internally designated assets	95,343	76,921	81,493
Other assets	<u>40,718</u>	<u>33,726</u>	<u>24,304</u>
Total assets	<u>986,891</u>	<u>972,818</u>	<u>855,384</u>
Current liabilities	192,019	223,291	141,269
Noncurrent liabilities	<u>57,762</u>	<u>18,710</u>	<u>10,495</u>
Total liabilities	<u>249,781</u>	<u>242,001</u>	<u>151,764</u>
Net position	<u>737,110</u>	<u>730,817</u>	<u>703,620</u>
Total liabilities and net position	<u>\$ 986,891</u>	<u>972,818</u>	<u>855,384</u>

Total assets are \$986,891 at June 30, 2021 compared to \$972,818 at June 30, 2020, an increase of \$14,073. Significant events within total assets during fiscal year 2021 include an increase in patients accounts receivable which was offset by a decrease in cash and cash equivalents as a result of an increase in accounts receivable, higher operating expenses, and the recoupment of a portion of the Medicare advanced payments.

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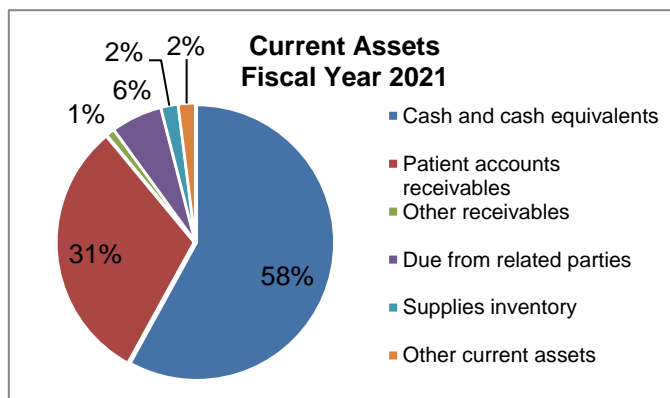
(Dollar amounts in thousands)

(Unaudited)

Total assets were \$972,818 at June 30, 2020 compared to \$855,384 at June 30, 2019, an increase of \$117,434. Significant events within total assets during fiscal year 2020 include an increase in cash and cash equivalents as a result of Medicare advanced payments and federal stimulus funding received associated with COVID-19, which offset a decrease in patient accounts receivable attributed to lower volumes.

Current Assets

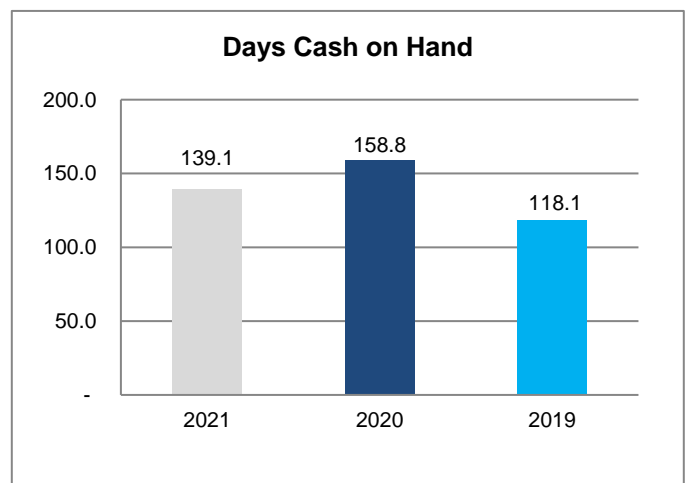
Current assets consist of cash and cash equivalents, patient accounts receivable, and other current assets that are expected to be converted to cash within a year. Total current assets were \$581,936, \$575,892, and \$464,606 at fiscal years 2021, 2020, and 2019, respectively. Fiscal year 2021 composition of current assets is illustrated in the chart below.



Cash and cash equivalents represent amounts invested in the King County Investment Pool (KCIP) on behalf of Harborview. All amounts invested in the KCIP are available upon demand and, as such, are considered cash equivalents. Harborview's investment in the KCIP is presented within cash and cash equivalents, internally designated assets, and certain donor restricted assets in the statements of net position. Cash and cash equivalents decreased \$34,597 from \$369,672 at June 30, 2020 to \$335,075 at June 30, 2021 and increased \$117,865 from \$251,807 at June 30, 2019 to \$369,672 at June 30, 2020.

Days cash on hand is utilized to evaluate an organization's continuing ability to meet its short-term operating needs. Days cash on hand, including board and management designated assets as of June 30, 2021, 2020, and 2019, is illustrated in the graph to the right.

Harborview's total days cash on hand decreased 19.7 days from 158.8 days at June 30, 2020 to 139.1 days at June 30, 2021. The decrease of 19.7 days between fiscal year 2021 and fiscal year 2020 is due to the increase in patient accounts receivable, increased operating expenses and the recoupment of a portion of the Medicare advanced payments. At June 30, 2021, Medicare has recouped \$6,354 of Harborview's Medicare advanced payments.



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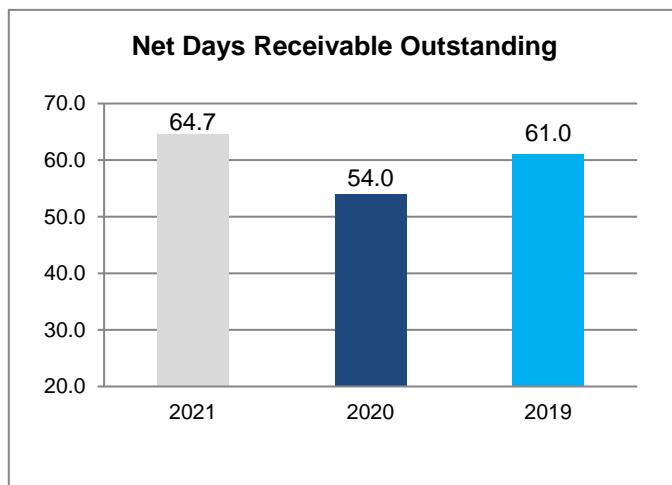
(Dollar amounts in thousands)

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Excluding the payable balance of Medicare advanced payments at June 30, 2021, days cash on hand would have been 118.9 days.

Harborview's total days cash on hand increased 40.7 days from 118.1 days at June 30, 2019 to 158.8 days at June 30, 2020. In 2020, the increase was driven by federal stimulus funding and Medicare advanced payments received during the fiscal year. Excluding Medicare advanced payments, which will be recouped by Medicare, days cash on hand would have been 134.3 days at June 30, 2020.

Patient accounts receivable were \$180,935 as of June 30, 2021 compared to \$137,765 as of June 30, 2020 and \$160,371 as of June 30, 2019. Patient accounts receivable increased \$43,170 in fiscal year 2021 and decreased \$22,606 in fiscal year 2020. In fiscal year 2021, fewer non-emergent and elective procedures were cancelled due to COVID-19 as in the prior year, resulting in higher volumes, revenue, and accounts receivable. UW Medicine implemented Destination: One in late March 2021, which required overall process changes. These changes led to a temporary delay in billing and collections at the end of fiscal year 2021. In fiscal year 2020, patient accounts receivable was affected by the cancellation of non-emergent and elective procedures due to COVID-19.



Days receivable outstanding indicates an organization's ability to convert net patient service revenue to cash. Days receivable outstanding as of June 30, 2021, 2020, and 2019 is provided in the graph to the left.

Harborview's net days receivable outstanding increased 10.7 days from 54.0 days at June 30, 2020 to 64.7 days at June 30, 2021 and decreased 7.0 days from 61.0 days at June 30, 2019 to 54.0 days at June 30, 2020. The increase in net days receivable in the current year is driven by billing and collection delays due to Destination: One and lower patient accounts receivable in fiscal year 2020 driven by the mandatory cancellation of non-emergent and elective procedures. The

decrease in net days receivable in fiscal year 2020 was driven by the timing of commercial payer cash collections which caused patients accounts receivable and net days patient accounts receivable to be higher at June 30, 2019.

As of June 30, 2021 and 2020, 37% and 37% of the gross patient accounts receivable balances are due from commercial payers, 56% and 56% are due from governmental payers (Medicare and Medicaid), 5% and 5% are due from self-pay patients, and 2% and 2% from the Washington Health Benefit Exchange, respectively.

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Due from related parties consists of amounts due for services provided by Harborview to UW Medicine entities, including the School. Due from related parties increased \$4,031 from \$32,041 at June 30, 2020 to \$36,072 at June 30, 2021 and increased \$12,721 from \$19,320 at June 30, 2019 to \$32,041 at June 30, 2020. The increases in fiscal years 2021 and 2020 relate to the timing of payments between Harborview and other UW Medicine entities.

Noncurrent Assets

Capital assets, net of accumulated depreciation decreased \$17,385 during fiscal year 2021 from \$286,279 at June 30, 2020 to \$268,894 at June 30, 2021 and increased \$1,298 during fiscal year 2020 from \$284,981 at June 30, 2019 to \$286,279 at June 30, 2020. The decrease in fiscal year 2021 is attributed to continued depreciation of depreciable assets offset by moderate capital spending. The increase in 2020 was primarily attributed to an increase in capital spending for equipment and construction projects offset by depreciation expense.

Additional discussion regarding capital asset activity, including capital commitments, during the fiscal years can be found in the notes to the financial statements.

Internally designated assets include board designated and management designated assets, as well as funds held by the University. These assets include cash and investments, in addition to property held for future use and are used by Harborview to fund strategic initiatives, capital improvements, and to purchase equipment.

At June 30, 2021, total internally designated assets were \$95,343 compared to \$76,921 at June 30, 2020, an increase of \$18,422 between years. The increase in internally designated assets between fiscal year 2020 and fiscal year 2021 relates to an increase in funds which are designated for the Maleng bed capacity project at Harborview.

At June 30, 2020, total internally designated assets were \$76,921 compared to \$81,493 at June 30, 2019, a decrease of \$4,572 between years. The decrease in internally designated assets between fiscal year 2019 and fiscal year 2020 relates to a decrease in funds held by the University designated for construction projects at Harborview.

Other assets consist of long-term prepaid expenses and donor restricted assets. The long-term prepaid expense reflected in other assets entitles Harborview access to the enterprise-wide information technology (IT) software and services. Other assets increased \$6,992 during fiscal year 2021 from \$33,726 at June 30, 2020 to \$40,718 at June 30, 2021 and increased \$9,422 during fiscal year 2020 from \$24,304 at June 30, 2019 to \$33,726 at June 30, 2020. The increase in fiscal year 2021 is driven by an increase in donor restricted assets related to donations received in the year as well as the timing of IT capital projects. In fiscal year 2020, Harborview entered into a new lease agreement on a building that is currently being constructed and paid \$8,200 in prepaid rent as part of the agreement, resulting in an increase in other assets.

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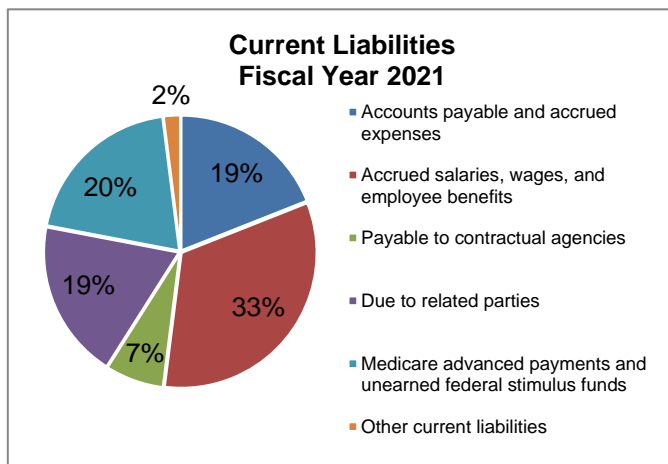
June 30, 2021 and 2020

(Dollar amounts in thousands)

(Unaudited)

Current Liabilities

Current liabilities consist of accounts payable and other accrued liabilities that are expected to be paid within a year. Total current liabilities were \$192,019, \$223,291, and \$141,269 at June 30, 2021, 2020, and 2019, respectively. Fiscal year 2021 composition of current liabilities is illustrated in the chart below.



Accounts payable and accrued expenses

increased \$279 from \$36,655 at June 30, 2020 to \$36,934 at June 30, 2021 and increased \$1,329 from \$35,326 at June 30, 2019 to \$36,655 at June 30, 2020. Changes in accounts payable and accrued expenses are primarily driven by timing of payments to vendors.

Accrued salaries, wages, and employee benefits

increased \$8,046 from \$54,692 at June 30, 2020 to \$62,738 at June 30, 2021 and increased \$1,310 from \$53,382 at June 30, 2019 to \$54,692 at June 30, 2020. Changes in accrued salaries, wages, and employee benefits are primarily driven by the number of employees, employee merit and fringe benefit rate fluctuations, and paid leave

accruals.

Payable to contractual agencies consists of estimated reserves for Medicare cost reports and Medicaid CPE settlements. Payable to contractual agencies decreased \$9,946 from \$23,760 at June 30, 2020 to \$13,814 at June 30, 2021 and increased \$1,674 from \$22,086 at June 30, 2019 to \$23,760 at June 30, 2020. The decrease in fiscal year 2021 is due to the timing of payments. The increase in fiscal year 2020 was driven by development in open Medicare cost reports and Medicaid CPE estimates.

Due to related parties consists of amounts owed for services provided to Harborview from UW Medicine shared services, including ITS, the School, and funding to King County. The current portion of amounts due to related parties increased \$14,665 from \$21,132 at June 30, 2020 to \$35,797 at June 30, 2021 and decreased \$8,657 from \$29,789 at June 30, 2019 to \$21,132 at June 30, 2020. The increase in fiscal year 2021 and decrease in fiscal year 2020 in due to related parties are primarily driven by timing of payments to related parties.

Harborview has a long-term due to related parties balance of \$25,469 at June 30, 2021 compared to \$8,900 at June 30, 2020, an increase of \$16,569. Long-term due to related parties increased from \$0 at June 30, 2019 to \$8,900 at June 30, 2020. The increase in both fiscal years relate to Harborview's long-term arrangement to pay UW Medicine IT Services for its portion of Destination: One costs, which was funded in large part through the University's internal lending program. This program was fully implemented in March 2021.

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Medicare advanced payments represent advanced payments received from Medicare under Centers for Medicare and Medicaid Services (CMS) Medicare Advanced Payment Program. As of June 30, 2021 and 2020, the current portion of \$38,305 and \$68,000, respectively, is presented within Medicare advanced payments and unearned stimulus funds in the accompanying statements of net position. The long-term portion of \$23,341 and \$0 is recorded in other noncurrent liabilities at June 30, 2021 and 2020 in the statements of net position.

The advanced Medicare funds will be recouped by Medicare by offsetting paid claims until the full amount is recouped. Medicare began recouping Medicare advanced payments in April 2021 from Harborview and has recouped \$6,354 as of June 30, 2021. Harborview expects the advances to be fully repaid by fiscal year 2023.

Unearned federal stimulus funds consist of federal stimulus funds received from the CARES Act Provider Relief Fund. Unearned federal stimulus funds decreased \$16,741 from \$16,741 at June 30, 2020 to \$0 at June 30, 2021. In fiscal year 2021, Harborview recognized \$16,741 that was deferred at June 30, 2020. Unearned federal stimulus funds increased \$16,741 from \$0 at June 30, 2019 to \$16,741 at June 30, 2020. The increase in fiscal year 2020 was driven by deferred recognition of Provider Relief Funds that were received in fiscal year 2020. These amounts are recorded within Medicare advanced payments and unearned stimulus funds in the accompanying statements of net position.

Factors Affecting the Future

Economic Uncertainty Facing the Healthcare Industry

The COVID-19 pandemic continues to evolve and the future impact on Harborview's operations and financial position will be driven by many factors, most of which are beyond Harborview's control and difficult to predict. The spread of COVID-19 and the ensuing response of federal, state, and local authorities beginning in March 2020 resulted in a material reduction in our patient volumes. Restrictive measures, including travel bans, social distancing, quarantines, and shelter-in-place orders, reduced the number of procedures performed at our facilities, as well as the volume of emergency room visits. We responded to the pandemic throughout the entire fiscal year and experienced gradual and continued improvement in patient volumes as stay-at-home restrictions eased and our facilities were permitted to resume elective surgeries and other procedures; however, the COVID-19 pandemic continues to impact our business, as well as our patients, communities, and employees. Broad economic factors resulting from the pandemic, including increased unemployment rates and reduced consumer spending, continue to impact our patient volumes, case mix acuity, service mix, and revenue mix. The pandemic has also continued to have an adverse effect on our operating expenses to varying degrees. We have been required to utilize higher-cost temporary labor and pay premiums above standard compensation for essential workers. In addition, we have experienced significant price increases in medical supplies, particularly for personal protective equipment (PPE), and have encountered supply chain disruptions, including shortages and delays. Because of these factors and other uncertainties, management cannot estimate the length or severity of the impact of the pandemic on Harborview's business.

However, we believe that our ultimate success in increasing profitability depends in part on our success in executing our strategies. In general, these strategies are intended to improve financial performance through the reduction of costs and in streamlining how we provide clinical care as well as mitigating the negative

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reimbursement trends experienced within the market. With a continued focus on patient volumes shifting from inpatient to outpatient settings due to technological advancements, and demand for care that is more convenient, affordable, and accessible as well as industry-wide migration to value-based payment models as governmental and commercial payers shift risk to providers, Harborview's focus is on managing costs and care efficiently.

Financial Stability Plan/Project FIT

Project FIT is a multiyear effort to improve our financial performance while achieving our mission to improve the health of the public. UW Medicine was making strong progress toward Project FIT goals overall through February 2020, however, the COVID-19 pandemic drove a need for UW Medicine leadership to reprioritize strategic priorities and look for areas where capital investment could be delayed or reduced with minimal impact to our immediate return on investment. For fiscal year 2022, Project FIT will continue to develop and execute key initiatives, including increasing revenues through the growth of clinical services, reducing costs through key strategic initiatives related to labor, productivity, supply pricing, and utilization as well as investing in our infrastructure will continue to be a priority.

UW Finance Transformation

In December 2019, the UW Finance Transformation (UWFT) program received approval from the Board of Regents to proceed with a broad redesign of finance-related policies and processes, enabled by the implementation of new enterprise resource planning (ERP) technology. The University and UW Medicine have determined that Workday Financials® will provide the best available platform to support the business objectives for this transformation by providing a seamless, integrated solution for human resources and payroll, which was previously implemented, procurement, and finance. UW Medicine and the University expect three primary areas of program benefit: functional benefits in the form of new and improved system capabilities, cost avoidance of maintaining and upgrading existing systems, and efficiencies in new business processes and organization. Total program costs are approximately \$340,000, which includes all operating and capital costs for implementation and one year of stabilization. UW Medicine, including Harborview, will be charged for a portion of the project. The amount and allocation methodology will be finalized upon completion of the project. UWFT is expected to be implemented on July 1, 2023.

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(Dollar amounts in thousands)

(Unaudited)

Capital Improvement Bond Measure

With the support of the Board of Trustees, Harborview collaborated with King County to define the next phase of Harborview's campus plan. The focus of this facility master plan includes a new medical tower with single patient rooms, modernization to support clinical delivery of care, expansion of Behavioral Health programming, and continuation of seismic facility upgrades. The King County Executive transmitted legislation to the King County Council that placed a capital improvement bond measure before King County voters on the November 2020 General Election ballot. The measure received voter approval for \$1,740,000 in general obligation bonds over 20 years for health and safety improvements at Harborview. Currently, Harborview and UW Medicine management and King County are in the planning phase of this project.

Employee Costs

The University has financial responsibility for pension and other postretirement benefits associated with the PERS defined-benefit plans, University of Washington Supplemental Retirement Plan defined-benefit plan, and other postemployment benefits (OPEB) administered by Washington State Health Care Authority (HCA) (as described in note 10), which include those University employees deployed at Harborview. Pension and other postretirement liabilities and the respective deferred outflow and inflow of resources are determined by actuarial reports. Management evaluated the requirements of relevant accounting pronouncements and determined that they are not applicable to Harborview, as Harborview is not part of the University's financial reporting entity, Harborview does not directly fund the employer contribution to the Department of Retirement System, and Harborview has no legal responsibility for benefit payments of the plan directly to employees. All funding obligations to the University are on a pay-as-you-go basis. As the liability continues to grow, Harborview's cash funding obligation will also increase. Although Harborview fully funds its share of pension and other postretirement expense through the University benefit load rate, Harborview does not record a pension or other postretirement liability on its financial statements. The portion of the University's pension liabilities at June 30, 2021 and June 30, 2020 that relates to University employees deployed at Harborview was approximately \$119,456 and \$147,022, respectively. In addition, Harborview's annual pension funding was \$40,410 and \$39,951 in fiscal years 2021 and 2020, respectively, which is recorded as employee benefits expense in the statements of revenues, expenses, and changes in net position. The portion of the University's OPEB liability at June 30, 2021 and 2020 that relates to University employees deployed at Harborview was \$228,487 and \$224,289, respectively, and the OPEB expense was \$3,649 and \$9,137, respectively. In addition, Harborview's annual OPEB funding was \$4,019 and \$3,867 in fiscal years 2021 and 2020, respectively, which is recorded as employee benefits expense in the statements of revenue, expenses, and changes in net position.

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Statements of Net Position

June 30, 2021 and 2020

(Dollar amounts in thousands)

Assets	2021	2020
Current assets:		
Cash and cash equivalents	\$ 335,075	369,672
Patient accounts receivable, less allowance for uncollectible accounts of \$46,301 in 2021 and \$31,701 in 2020	180,935	137,765
Other receivables	9,167	15,164
Due from related parties	36,072	32,041
Supplies inventory	10,891	9,761
Other current assets	9,796	11,489
Total current assets	581,936	575,892
Noncurrent assets:		
Capital assets, net of accumulated depreciation	268,894	286,279
Internally designated assets	95,343	76,921
Donor restricted assets	15,857	10,858
Other assets	24,861	22,868
Total noncurrent assets	404,955	396,926
Total assets	\$ 986,891	972,818
Liabilities and Net Position		
Current liabilities:		
Accounts payable and accrued expenses	\$ 36,934	36,655
Accrued salaries, wages, and employee benefits	62,738	54,692
Due to related parties	35,797	21,132
Payable to contractual agencies	13,814	23,760
Medicare advanced payments and unearned federal stimulus funds	38,305	84,741
Other current liabilities	4,431	2,311
Total current liabilities	192,019	223,291
Noncurrent liabilities:		
Other noncurrent liabilities	32,293	9,810
Due to related parties – long-term	25,469	8,900
Total liabilities	249,781	242,001
Net position:		
Net investment in capital assets	268,894	286,279
Expendable, restricted	10,946	6,309
Nonexpendable, restricted	3,395	3,085
Unrestricted	453,875	435,144
Total net position	737,110	730,817
Total liabilities and net position	\$ 986,891	972,818

See accompanying notes to basic financial statements.

HARBORVIEW MEDICAL CENTER
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Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2021 and 2020

(Dollar amounts in thousands)

	<u>2021</u>	<u>2020</u>
Operating revenues:		
Net patient service revenues (net of provision for uncollectible accounts of \$29,965 in 2021 and \$28,127 in 2020)	\$ 1,020,792	933,035
Other revenue	<u>108,459</u>	<u>115,835</u>
Total operating revenues	<u>1,129,251</u>	<u>1,048,870</u>
Operating expenses:		
Salaries and wages	448,608	409,213
Employee benefits	142,455	141,706
Purchased services	279,816	255,060
Supplies	193,127	169,137
Other	44,907	38,814
Depreciation	<u>30,757</u>	<u>29,294</u>
Total operating expenses	<u>1,139,670</u>	<u>1,043,224</u>
(Loss) income from operations	<u>(10,419)</u>	<u>5,646</u>
Nonoperating revenues (expenses):		
Investment income, net	5,432	6,744
Funding to affiliates	(16,164)	(14,155)
Funding to King County	(5,000)	(5,000)
Federal stimulus funding	17,471	31,016
Other, net	<u>14,663</u>	<u>2,796</u>
Nonoperating revenues (expenses)	<u>16,402</u>	<u>21,401</u>
Income before capital contributions, additions to permanent endowments, and other	<u>5,983</u>	<u>27,047</u>
Capital contributions, additions to permanent endowments, and other:		
Additions to permanent endowments	310	215
Capital contributions and other transfers	<u>—</u>	<u>(65)</u>
Total capital contributions, additions to permanent endowments, and other	<u>310</u>	<u>150</u>
Increase in net position	6,293	27,197
Net position – beginning of year	<u>730,817</u>	<u>703,620</u>
Net position – end of year	<u>\$ 737,110</u>	<u>730,817</u>

See accompanying notes to basic financial statements.

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Statements of Cash Flows

Years ended June 30, 2021 and 2020

(Dollar amounts in thousands)

	2021	2020
Cash flows from operating activities:		
Cash received for patient service revenues	\$ 959,436	1,025,308
Cash received for other services	112,196	112,253
Cash paid to employees	(583,017)	(549,609)
Cash paid to suppliers and others	(506,088)	(480,823)
Net cash provided by operating activities	<u>(17,473)</u>	<u>107,129</u>
Cash flows from noncapital financing activities:		
Funding to affiliates	(13,978)	(13,898)
Funding to King County	(5,000)	(5,000)
Cash received for permanent endowments	310	215
Cash received for Federal stimulus funding	730	47,757
Other	16,547	2,760
Due to related parties	17,520	—
Net cash (used in) provided by noncapital financing activities	<u>16,129</u>	<u>31,834</u>
Cash flows from capital and related financing activities:		
Cash paid for capital expenditures	(15,175)	(32,944)
Cash paid for capital contributions and other	(300)	(250)
Net cash used in capital and related financing activities	<u>(15,475)</u>	<u>(33,194)</u>
Cash flows from investing activities:		
Internally designated and donor restricted assets	(22,124)	4,876
Investment income received	4,346	7,220
Net cash (used in) provided by investing activities	<u>(17,778)</u>	<u>12,096</u>
(Decrease) increase in cash and cash equivalents	(34,597)	117,865
Cash and cash equivalents, beginning of year	<u>369,672</u>	<u>251,807</u>
Cash and cash equivalents, end of year	<u>\$ 335,075</u>	<u>369,672</u>
Reconciliation of income from operations to net cash provided by operating activities:		
(Loss) income from operations	\$ (10,419)	5,646
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation	30,757	29,294
Provision for uncollectible accounts	29,965	28,127
Net increase in current and other assets	(71,062)	(31,749)
Net (decrease) increase in current liabilities	(19,197)	67,596
Increase in other noncurrent liabilities	22,483	8,215
Net cash provided by operating activities	<u>\$ (17,473)</u>	<u>107,129</u>
Supplemental disclosure of cash flow information:		
Change in capital assets included in accounts payable	\$ (1,353)	(2,322)
Loss on disposal of capital assets	(450)	(242)

See accompanying notes to basic financial statements.

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Notes to Basic Financial Statements

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(Dollar amounts in thousands)

(1) Organization and Operations

Harborview Medical Center (Harborview) is a 413-licensed-bed hospital operating in Seattle, Washington with extensive ambulatory services and is a component unit of King County, Washington (King County). Harborview is managed and operated by UW Medicine under a Hospital Services Agreement between King County and the Board of Regents of the University of Washington (the University) in accordance with policies established by the Harborview Board of Trustees (the Trustees). Harborview is a Level 1 adult and pediatric trauma medical center that serves a four state region.

The first management contract for the University to operate and manage Harborview was effective on July 1, 1967 and was revised and extended several times. In January 2016, the King County Council approved a new Hospital Services Agreement (the Agreement) effective February 25, 2016. The Agreement has a ten-year term and may be renewed by the parties for two successive ten-year terms.

The Agreement recognizes the shared goal of UW Medicine and King County to provide the Harborview mission population with access to primary, secondary, tertiary, and quaternary services as well as UW Medicine's mission to improve the health of the public through its clinical, research, and teaching activities.

Under the Hospital Services Agreement, King County retains title to all real and personal properties acquired with Harborview capital and operating funds and these are accordingly recorded on Harborview's books. Facility revenues for the operation of Harborview are deposited in a King County account that is separate from general King County accounts. The Trustees are accountable to the public and King County government for all financial aspects of Harborview's operation and approve and monitor Harborview's annual operating budget. The Trustees are responsible for adopting operational standards of patient care as developed and recommended by UW Medicine. All such standards must comply with the requirements of applicable agencies, such as The Joint Commission.

A significant provision under the Agreement requires that for each year of the Agreement, the Trustees will allocate and disburse to King County \$5,000 from Harborview revenue or reserves to support Mission Population programs and services that are currently being provided by King County. The annual allocation and disbursement may be reduced by an amount agreed to by the parties based on reductions in costs incurred by King County or new funding sources that would not otherwise be received by King County. During fiscal years 2020 and 2021, the annual allocation was not reduced. For both of the years ended June 30, 2021 and 2020, Harborview recorded nonoperating expense of \$5,000 related to King County mission support in the statements of revenues, expenses, and changes in net position and a payable to King County, which is recorded within due to related parties in the statements of net position. Since 2016, Harborview has paid total allocations of \$25,000 to King County.

UW staffs, manages, and provides all medical, dental, and other professional services to Harborview patients through University employees and University School of Medicine faculty. UW Medicine conducts research and teaching activities at Harborview, consistent with University policies. The University retains authority over all personnel and employment matters involving University employees who work at Harborview. UW Medicine continues to be responsible for management of the facilities and development of the six-year Capital Improvement Plan for review and approval by the Trustees and King County. UW

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Medicine manages Harborview so as to retain its institutional identity in a manner which, to the extent of the funds available to Harborview, will achieve the aims of the Trustees to meet their community obligations and provide services to address the community's needs, as identified in Harborview's mission statement.

A special account is maintained with the University to receive reimbursement payments from Harborview's operating account and to pay for the costs of all services and expenditures provided by the University.

Harborview is part of UW Medicine which also includes UW Medical Center, UW Medicine/Northwest dba Northwest Hospital & Medical Center (Northwest Hospital), which operated as a separate legal entity until December 31, 2019, Valley Medical Center (VMC), UW Neighborhood Clinics (UWNC), UW Physicians (UWP), UW School of Medicine (the School), Airlift Northwest (Airlift), and UW Medicine Shared Services. Effective January 1, 2020, Northwest Hospital was integrated into UW Medical Center as its second campus, and its assets and liabilities were transferred to UW Medical Center.

COVID-19

The novel coronavirus (COVID-19) was first identified in China in December 2019 and the first case in Washington State was discovered in January 2020. COVID-19 has spread globally creating a pandemic which has significantly impacted the economic conditions at a local, national, and international level. On February 29, 2020, the governor of the state of Washington declared a state of emergency to ensure the swift deployment of resources necessary to address coronavirus in Washington and the forecasted potential surge of COVID-19 patients. On March 13, 2020, President Trump declared a national state of emergency with respect to the COVID-19 outbreak, ordering all states to establish emergency operations and authorizing the use of federal funds. Both the national state of emergency and Washington state of emergency have continued through fiscal year 2021. COVID-19 cases fluctuated throughout the fiscal year and Harborview experienced multiple COVID-19 surges.

(2) Summary of Significant Accounting Policies

(a) Accounting Standards

The accompanying basic financial statements are prepared in accordance with accounting principles generally accepted in the United States of America for state and local governments as prescribed by the Governmental Accounting Standards Board (GASB). Harborview uses proprietary fund accounting.

(b) Basis of Accounting

Harborview's financial statements have been prepared using the accrual basis of accounting with the economic resources measurement focus. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

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(c) Use of Estimates

The preparation of financial statements, in conformity with U.S. generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates in Harborview's financial statements include patient accounts receivable allowances and payable to contractual agencies.

(d) Cash and Cash Equivalents

Cash and cash equivalents primarily consist of investments held in an external investment pool managed for Harborview by King County.

The King County Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company. Oversight is provided by the King County Executive Finance Committee (EFC). All investments are subject to written policies and procedures adopted by the EFC. The EFC reviews pool performance monthly. The King County Investment Pool was invested as follows at June 30:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	8.5 %	7.5 %
U.S. Treasury and agencies securities	66.5	67.2
Washington State Local Government Investment Pool	20.8	18.2
Corporate and other fixed income securities	<u>4.2</u>	<u>7.1</u>
Total	<u>100.0 %</u>	<u>100.0 %</u>

Concentrations of credit risk consist of pooled investments held on behalf of Harborview at King County.

The King County Investment Pool allocates participants' shares using an amortized cost basis. Monthly income is distributed to participants based on their relative participation during the period. Income is calculated based on (1) realized investment gains and losses, (2) interest income based on stated rates (both paid and accrued), and (3) the amortization of discounts and premiums on a straight-line basis. Income is reduced by the contractually agreed upon investment fee.

Harborview has unrestricted access to deposit and withdraw from the King County Investment Pool at its discretion and without limitation, and as such, these investments are considered cash equivalents. Harborview has cash equivalents of \$335,075 and \$369,672 as of June 30, 2021 and 2020, respectively.

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(Dollar amounts in thousands)

(e) Internally Designated and Donor Restricted Assets

Internally designated assets include board designated and management designated assets set aside for future capital and program purposes over which the Trustees and management retain control. Donor restricted assets consist of assets that Harborview is legally or contractually obligated to expend in accordance with restrictions placed by donors. Internally designated and donor restricted assets are held in the King County Investment Pool, managed for Harborview by King County, and are carried at amortized cost. Endowments are managed for Harborview by the University and are carried at fair value.

Disclosure requirements related to investment risk, credit risk, interest rate risk, foreign currency risk, and deposit risk are applicable to the primary government, which, as it relates to Harborview, is King County.

(f) Supplies Inventory

Inventories consist primarily of surgical, medical, and pharmaceutical supplies in organized stores at various locations across Harborview. Inventories are recorded at the lower of cost (first-in, first-out) or market.

(g) Capital Assets

Capital assets, defined as purchases with a per item cost of \$5 or greater and a useful life of at least two years, are stated at cost at acquisition or, if acquired by gift, at fair market value measured at the date of the gift. Additions, replacements, major repairs, and renovations are capitalized. Maintenance and repairs are expensed. The cost of the capital assets sold or retired and the related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recorded.

The provision for depreciation is determined by the straight-line method, which allocates the cost of tangible property ratably over its estimated useful life. The estimated useful lives used by Harborview are as follows:

Land improvements	25 years
Buildings, renovations, and furnishings	5–50 years
Fixed equipment	5–25 years
Movable equipment	3–20 years
Leasehold improvements	The shorter of the lease term or useful life of the asset

(h) UW Medicine IT Services

UW Medicine IT Services (ITS) (a department within UW Medicine Shared Services) records enterprise-wide IT capital assets that are purchased for use by UW Medicine entities. Harborview provides advance funding to UW Medicine ITS, which entitles Harborview access to the enterprise-wide IT software and services. At June 30, 2021 and 2020, \$7,600 and \$9,600, respectively,

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is recorded in other current assets and \$16,661 and \$14,668 is recorded in other assets, respectively, based on expected usage.

Harborview entered into a long-term arrangement to pay ITS for Harborview's portion of UW Medicine's clinical transformation program, called Destination: One, which is being funded by the University's Internal Lending Program (ILP). Harborview will pay ITS for its share of the project costs, which are allocated to Harborview based on full-time equivalents (FTEs) and total operating revenues. In fiscal years 2021 and 2020, Harborview was allocated \$18,754 and \$9,052, which is included within purchased services expense in the statements of revenues, expenses, and changes in net position. At June 30, 2021 and 2020, \$25,469 and \$8,900, respectively, is recorded within due to related parties – long term in the statements of net position for Destination: One. At June 30, 2021 and 2020, \$951 and \$0, respectively, is recorded in due to related parties in the statements of net position for Destination: One. Harborview will make its first payment to ITS on August 1, 2021 with the remaining amounts paid over twelve years. The amounts for these transactions are included within note 12(d).

(i) *Compensated Absences*

University employed staff at Harborview earn annual leave at rates based on length of service and sick leave at the rate of one day per month. Annual leave balances, which are limited to 240 hours, can be converted to monetary compensation upon employment termination. Sick leave balances, which are unlimited, can be converted to monetary compensation annually at 25% of the employees' normal compensation rate for any balance that exceeds 480 hours or for any balance upon retirement or death. Harborview recognizes annual and sick leave liabilities when earned.

Annual leave accrued at June 30, 2021 and 2020 is \$28,443 and \$26,584, respectively. Sick leave accrued as of June 30, 2021 and 2020 is \$8,249 and \$7,160, respectively. Compensated absences are reported within the accrued salaries, wages, and employee benefits in the statements of net position.

(j) *Payable to Contractual Agencies*

Harborview is reimbursed for Medicare inpatient, outpatient, psychiatric, and rehabilitation services and for capital and medical education costs during the year either prospectively or at an interim rate. The difference between interim payments and the reimbursement computed based on the Medicare filed cost report results in an estimated receivable from or payable to Medicare at the end of each year. The Medicare program's administrative procedures preclude final determination of amounts receivable from or payable to Harborview until after the cost reports have been audited or otherwise reviewed and settled by Medicare.

Public hospitals located in the state of Washington designated by the Washington State Legislature (the State) are reimbursed at the "full cost" of Medicaid inpatient covered services under the public hospital Certified Public Expenditures (CPE) payment method. See note 3(a) for discussion regarding this program.

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The estimated settlement amounts for Medicare cost reports and CPE payments that are not considered final are included in payable to contractual agencies in the accompanying statements of net position.

(k) Classification of Revenues and Expenses

Harborview's statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenue and expenses. Operating revenue, such as net patient service revenues, result from exchange transactions associated with providing healthcare services, Harborview's primary business. Exchange transactions are those in which each party to the transaction receives and gives up essentially equal values.

Operating expenses are all expenses, other than financing costs, incurred by Harborview to provide healthcare services to patients.

Nonoperating revenues and expenses are recorded for nonexchange transactions. This activity includes investment income, net, funding to King County, funding to affiliates of UW Medicine, state appropriations, other federal and state funding, and federal stimulus funding.

(l) Net Patient Service Revenues

Harborview has agreements with third-party payers that provide for payments to Harborview at amounts that differ from its established charges. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenues are reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers.

Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. A summary of the payment arrangements with major third-party payers is as follows:

(i) Medicare

Acute inpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge based on Medicare severity diagnosis-related groupings (MS-DRGs), as well as reimbursements related to capital costs. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Payments for Medicare outpatient services are provided based on a prospective payment system known as ambulatory payment classifications (APC). APC payments are prospectively established and may be greater than or less than the provider's actual charges for its services. The Medicare program utilizes the prospective payment system known as case mix group (CMG) for rehabilitation services reimbursement. As with MS-DRGs, CMG payments are prospectively established and may be greater than or less than Harborview's actual charges for its services. Psychiatric services are also

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paid prospectively using a federal per diem payment rate adjusted for comorbidity and various adjustment factors.

(ii) Medicaid

Inpatient services rendered to Medicaid program beneficiaries are provided at prospectively determined rates per discharge. Outpatient services rendered are provided based on the APC prospective payment system. See note 3(a) for discussion surrounding the Medicaid certified public expenditures program.

(iii) Commercial

Harborview also has entered into payment agreements with certain commercial insurance carriers and preferred provider organizations. The basis for payment to Harborview under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

(iv) Exchange (HIX)

Washington State Health Exchange (HIX) entered into agreements with certain commercial insurance plans to provide patients access to healthcare services. The basis for payment to Harborview under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

(m) Financial Assistance

Harborview provides care without charge to patients who meet certain criteria under its financial assistance policy. Harborview maintains records to identify and monitor the level of financial assistance it provides. These records include charges foregone for services and supplies furnished under its financial assistance policy to the uninsured and the underinsured. Because Harborview does not pursue collection of amounts determined to qualify as financial assistance, these are not reported as net patient service revenue. The charges associated with financial assistance provided by Harborview are approximately \$88,174 and \$86,832, respectively, for the years ended June 30, 2021 and 2020.

Harborview estimates the cost of financial assistance using its Medicaid cost to charge ratio of 39.5% and 37.6% for the fiscal years ended June 30, 2021 and 2020, respectively. Applying Harborview's Medicaid cost to charge ratio of 39.5% to total financial assistance of \$88,174 results in an estimated cost of financial assistance of \$34,829 for the fiscal year ended June 30, 2021. Applying Harborview's Medicaid cost to charge ratio of 37.6% to total financial assistance of \$86,832 results in an estimated cost of financial assistance of \$32,649 for the fiscal year ended June 30, 2020.

(n) Net Position

Harborview's net position is classified in various components. Net investment in capital assets consists of capital assets, net of accumulated depreciation reduced by outstanding borrowings used to finance the purchase or construction of those assets. Expendable restricted net position consists of resources

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that Harborview is legally or contractually obligated to expend in accordance with time or purpose restrictions placed by donors and/or external parties. Nonexpendable restricted net position, primarily endowments, represents gifts to Harborview's permanent endowment funds, in which the donor or other external party has imposed a restriction that the corpus is not available for expenditure. Unrestricted net position is all other funds available to Harborview for any purpose associated with its operations and mission.

(o) Federal Income Taxes

Harborview, as a component of the state of Washington, is not subject to federal income taxes under Section 115 of the Internal Revenue Code.

(p) Recently Adopted and New Accounting Pronouncements

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*, which was effective for the fiscal year ending June 30, 2021, as amended by the issuance of Statement No. 95. This statement establishes criteria for identifying and reporting fiduciary activities of all state and local governments. Governments with activities meeting the criteria are required to present a statement of fiduciary net position and a statement of changes in fiduciary net position. Custodial assets held for three months or less are exempt from the reporting requirements. Harborview adopted this statement in fiscal year 2021 and determined it did not have a material impact to the financial statements.

In June 2017, the GASB issued Statement No. 87, *Leases*, which will be effective for the fiscal year ending June 30, 2022, as amended by the issuance of Statement No. 95. This statement changes the current classification of lease arrangements as either operating or capital leases, and establishes a single model for lease accounting based on the foundational principle that leases represent a financing transaction associated with the right to use an underlying asset. This statement applies to contracts that convey the right to use a nonfinancial asset in an exchange or exchange-like transaction for a term exceeding 12 months. Lessees will be required to recognize a lease liability and an intangible right-to-use lease asset, and lessors will be required to recognize a lease receivable and a deferred inflow of resources. At July 1, 2021, upon adoption of the statement, Harborview expects to recognize lease liabilities and right-to-use lease assets of approximately \$177,000 and \$161,000, respectively, in the statements of net position. In addition, Harborview expects to recognize lease receivables and deferred inflows of resources of approximately \$40,000 and \$39,000, respectively, in the statements of net position.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*, which was effective for the fiscal year ending June 30, 2021. This statement addresses a variety of topics including specific provisions related to leases, certain intraentity transfers between a primary government and a component unit's postretirement benefit plan, reporting of postemployment plan assets accumulated outside of a qualified trust, certain requirements related to fiduciary activities' postemployment benefit arrangements, measurement of asset retirement obligations resulting from a government acquisition, public entity risk pools, fair value measurements, and derivative instrument terminology. Harborview

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adopted this statement in fiscal year 2021 and determined it did not have a material impact to the financial statements.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, which will be effective for the fiscal year ending June 30, 2023. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). This statement defines an SBITA, establishes that an SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability, provides the capitalization criteria for outlays other than subscription payments (including implementation costs of an SBITA), and requires note disclosures regarding an SBITA. Harborview is currently analyzing the impact of this statement.

(q) Reclassifications

Certain reclassifications have been made to prior year amounts to confirm to the current year presentation.

(3) Net Patient Service Revenues

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. In 2021 and 2020, net patient service revenues increased \$6,743 and \$14,077, respectively, relating to prior years' net Medicare and Medicaid settlements and revised estimates, including Disproportionate Share Hospital (DSH) reimbursement and the CPE program.

The following are the components of net patient service revenues for the years ended June 30:

	<u>2021</u>	<u>2020</u>
Gross patient service charges	\$ 2,822,623	2,481,689
Less adjustments to gross patient service charges:		
Financial assistance	(88,174)	(86,832)
Contractual discounts	(1,683,692)	(1,433,695)
Provision for uncollectible accounts	<u>(29,965)</u>	<u>(28,127)</u>
Total adjustments to gross patient service charges	<u>(1,801,831)</u>	<u>(1,548,654)</u>
Net patient service revenues	\$ <u><u>1,020,792</u></u>	<u><u>933,035</u></u>

Harborview grants credit without collateral to its patients, most of whom are Washington State residents and who are insured under third-party payer agreements. Patient accounts receivable is valued utilizing historical collection rates across the various payers. The mix of gross patient service revenues and gross

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accounts receivable from significant third-party payers for the years ended June 30, 2021 and 2020 is as follows:

	Gross patient service revenues	Gross accounts receivable
2021:		
Medicare	31 %	27 %
Medicaid	33	29
Commercial and other	31	37
Self-pay	4	5
Exchange (HIX)	1	2
Total	<u>100 %</u>	<u>100 %</u>
	Gross patient service revenues	Gross accounts receivable
2020:		
Medicare	32 %	27 %
Medicaid	32	29
Commercial and other	31	37
Self-pay	4	5
Exchange (HIX)	1	2
Total	<u>100 %</u>	<u>100 %</u>

(a) Medicaid Certified Public Expenditure Reimbursement

Public hospitals located in the state of Washington designated by the Washington State Legislature are reimbursed at the "full cost" of Medicaid inpatient covered services under the public hospital CPE payment method.

"Full cost" payments are determined using the respective hospital's Medicaid ratio of cost to charges to determine the cost for covered medically necessary services. The costs will be certified as actual expenditures by the hospital and the State claims a federal match on the amount of the related certified public expenditures. Per the Centers for Medicare and Medicaid Services (CMS) approved Medicaid State Plan, participating hospitals receive only the federal match portion of the allowable costs. Harborview recognized \$47,142 and \$41,132 in claims payments under this program for the years ended June 30, 2021 and 2020, respectively.

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In addition, Harborview receives the federal match portion of DSH payments, which are the lesser of qualifying Medicaid and financial assistance uncompensated care cost or the hospital's specific limit. Harborview recognized \$46,644 and \$55,729 in DSH funding under this program for the years ended June 30, 2021 and 2020, respectively.

Since the inception of the program, the Washington State Legislature has provided, through an annual budget proviso, a "hold harmless" provision for hospitals participating in the CPE program. Through this proviso, hospitals participating in the CPE program will receive no less in combined state and federal payments than they would have received under the previous payment methodology. In addition, the hold harmless provision ensures that participating hospitals receive DSH payments as specified in the legislation.

In the event of a shortfall between CPE program payments and the amount determined under the hold harmless provision, the difference is paid to the hospitals as a grant from state-only funds. Harborview did not recognize any amounts for state grants for the years ended June 30, 2021 and 2020. Claims payments, DSH payments, and state grant funds are included in net patient service revenues in the statements of revenues, expenses, and changes in net position.

CPE payments are subject to retrospective determination of actual costs once Harborview's Medicare cost report is audited. CPE program payments are not considered final until retrospective cost reconciliation is complete after Harborview receives its Medicare Notice of Program Reimbursements for the corresponding cost reporting year.

Interim state grant payments are retrospectively reconciled to "hold harmless" after actual claims are repriced using the applicable DRG payment methodology. This process takes place approximately 12 months after the end of the fiscal year and results in either a payable to, or receivable from, the state Medicaid program. Harborview has estimated the expected final settlement amounts based on the difference between CPE payments received and the estimated hold harmless amount. As of June 30, 2021 and 2020, respectively, Harborview has an estimated payable of \$3,915 and \$15,370 for the CPE program, which is included in payable to contractual agencies in the statements of net position.

(b) Professional Services Supplemental Payment and Provider Access Payment Program

The professional services supplemental payment (PSSP) and provider access payment (PAP) program are programs managed by the Washington State Health Care Authority (HCA) benefiting certain public hospitals.

Under the program, Harborview, UWP, and Children's University Medical Group (CUMG) receive supplemental Medicaid payments for the physician and other professional services for which they bill. These supplemental payments equal the difference between the standard Medicaid reimbursement and the upper payment limit allowable by federal law. UW Medical Center and Harborview provide the nonfederal share of the supplemental payments that are used to obtain the matching federal funds.

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Harborview recorded \$15,468 and \$12,117 for the years ended June 30, 2021 and 2020 in intergovernmental transfers (IGT) to HCA related to professional claims paid in those fiscal years, which is recorded as funding to affiliates in the statements of revenues, expenses, and changes in net position. There is no requirement that UWP and CUMG PSSP and PAP payments be returned to Harborview as a condition for making the IGT's.

Harborview recognized \$3,132 and \$3,473 in supplemental payments for the years ended June 30, 2021 and 2020, respectively. These payments are included in net patient service revenues in the statements of revenues, expenses, and changes in net position.

PSSP and PAP funds are combined with other revenue used by the School for the central support of faculty costs. As a result, the School requires less funding from Harborview and UW Medical Center. Harborview's clinical department funding to the School is recorded in purchased services expense in the statements of revenues, expenses, and changes in net position and was reduced by \$38,171 and \$34,497 in fiscal years 2021 and 2020, respectively, due to the PSSP and PAP funds received by the School.

(c) Hospital Safety Net Program

The Hospital Safety Net Assessment Act (HSNA) uses Washington State funds obtained through an assessment levied on Prospective Payment System (PPS) hospitals and federal matching funds to increase Medicaid payments to hospitals. Under this program, PPS program hospitals are assessed a fee on all non-Medicare patient days.

Under the HSNA program, PPS hospitals receive supplemental Medicaid payments, Critical Access Hospitals receive disproportionate share payments, and CPE hospitals receive state grants. The program has an expiration date of June 30, 2023.

Harborview is exempt from the assessment as the hospital is operated by an agency of the state government and also participates in the CPE program.

Harborview recognized grant funding related to the HSNA program of \$10,260 for both the years ended June 30, 2021 and 2020, which is recorded in other revenue in the statements of revenues, expenses, and changes in net position.

(d) Other Federal and State Funding

As a regional trauma center, Harborview was eligible for additional state funding in both 2021 and 2020 through the Trauma Enhancement program. Participating hospitals receive a pro rata share of the pool appropriated for this program based on their portion of total inpatient and outpatient Medicaid claims submitted. Harborview recognized \$10,257 and \$8,757 for the years ended June 30, 2021 and 2020, respectively. In addition to the funding received through the Trauma Enhancement program, Harborview recognized state sponsored trauma funding in the amount of \$1,345 and \$1,507 for the years ended June 30, 2021 and 2020, respectively. Funds from both programs are included in net patient service revenues in the statements of revenues, expenses, and changes in net position.

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(4) Medicare Advanced Payments and Federal Stimulus Funding

In response to financial pressures brought on by the COVID-19 pandemic, Harborview pursued additional sources of liquidity and financial recovery through various federal programs. Harborview requested and received approval for six months of advance Medicare payments under the CMS Medicare Advanced Payment Program (MAPP). Harborview received \$68,000 in April 2020. The advance Medicare funds are recovered by Medicare by offsetting paid claims until the full amount is recouped.

On September 30, 2020, a federal law was signed to extend the deadline for repayment under the Medicare Advanced Payment Program, which would give hospital providers one year from the date of the original advance before Medicare can begin to recover the advances and twenty-nine months from the date of the original advance to fully repay the advanced payments without interest.

Medicare began recouping Harborview's Medicare advanced payments in April 2021 and has recouped \$6,354 as of June 30, 2021. Harborview expects the advances to be fully repaid by fiscal year 2023. As of June 30, 2021 and 2020, the current portion of \$38,305 and \$68,000, respectively, is recorded within Medicare advanced payments and unearned stimulus funds in the accompanying statements of net position. The long-term portion of \$23,341 and \$0 is recorded in other noncurrent liabilities as of June 30, 2021 and 2020, respectively, in the statements of net position.

The federal government passed the Coronavirus Aid, Relief and Economic Security (CARES Act) Provider Relief Fund in March 2020. The Provider Relief Fund is distributing \$175,000,000 to hospitals and healthcare providers to assist with the COVID-19 response. The Provider Relief Fund payments are to assist with expenses and lost revenues associated with lower volumes, cancelled procedures and services associated with COVID-19. Provider relief funds consisted of both general and targeted distributions. Harborview received both types of distributions totaling \$730 and \$47,757 during the years ended June 30, 2021 and 2020, respectively. During the years ended June 30, 2021 and 2020, Harborview recognized Provider Relief Funds of \$17,471 and \$31,016, respectively, which is recorded within federal stimulus funding in the statements of revenues, expenses, and changes in net position.

(5) State Appropriation

An appropriation is made by the State to the University on a biennial basis, specifically designated by the State for training future healthcare professionals and to upgrade the skills of current practitioners. Harborview is designated as a division of the major program "hospitals" included within the total appropriation. Harborview recognized \$8,948 and \$9,193 for the years ended June 30, 2021 and 2020, respectively.

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(6) Capital Assets

The activity in Harborview's capital asset and related accumulated depreciation accounts for the years ended June 30, 2021 and 2020 is set forth below:

	<u>Balance June 30, 2020</u>	<u>Additions</u>	<u>Transfers</u>	<u>Retirements</u>	<u>Balance June 30, 2021</u>
Capital assets, not being depreciated:					
Land	\$ 2,432	—	—	—	2,432
Construction in process	12,796	9,704	(16,708)	—	5,792
Total capital assets, not being depreciated	<u>15,228</u>	<u>9,704</u>	<u>(16,708)</u>	<u>—</u>	<u>8,224</u>
Capital assets, being depreciated:					
Land improvements	7,387	—	(9)	—	7,378
Buildings, renovations, and furnishings	427,604	—	21,058	(82)	448,580
Fixed equipment	134,550	—	(6,209)	—	128,341
Movable equipment	187,098	4,118	364	(1,524)	190,056
Leasehold improvements	12,354	—	1,504	(4)	13,854
Total capital assets, being depreciated	<u>768,993</u>	<u>4,118</u>	<u>16,708</u>	<u>(1,610)</u>	<u>788,209</u>
Total capital assets at historical cost	<u>784,221</u>	<u>13,822</u>	<u>—</u>	<u>(1,610)</u>	<u>796,433</u>
Less accumulated depreciation for:					
Land improvements	(4,376)	(301)	—	—	(4,677)
Buildings, renovations, and furnishings	(228,203)	(14,758)	—	48	(242,913)
Fixed equipment	(115,163)	(2,796)	—	—	(117,959)
Movable equipment	(143,197)	(12,040)	—	1,110	(154,127)
Leasehold improvements	(7,003)	(862)	—	2	(7,863)
Total accumulated depreciation	<u>(497,942)</u>	<u>(30,757)</u>	<u>—</u>	<u>1,160</u>	<u>(527,539)</u>
Total capital assets, net	<u>\$ 286,279</u>	<u>(16,935)</u>	<u>—</u>	<u>(450)</u>	<u>268,894</u>

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	Balance June 30, 2019	Additions	Transfers	Retirements	Balance June 30, 2020
Capital assets, not being depreciated:					
Land	\$ 2,432	—	—	—	2,432
Construction in process	23,578	18,183	(28,965)	—	12,796
Total capital assets, not being depreciated	26,010	18,183	(28,965)	—	15,228
Capital assets, being depreciated:					
Land improvements	7,378	—	9	—	7,387
Buildings, renovations, and furnishings	410,072	—	17,532	—	427,604
Fixed equipment	124,595	—	9,955	—	134,550
Movable equipment	184,933	12,651	—	(10,486)	187,098
Leasehold improvements	10,885	—	1,469	—	12,354
Total capital assets, being depreciated	737,863	12,651	28,965	(10,486)	768,993
Total capital assets at historical cost	763,873	30,834	—	(10,486)	784,221
Less accumulated depreciation for:					
Land improvements	(4,071)	(305)	—	—	(4,376)
Buildings, renovations, and furnishings	(214,078)	(14,125)	—	—	(228,203)
Fixed equipment	(113,577)	(1,586)	—	—	(115,163)
Movable equipment	(140,927)	(12,514)	—	10,244	(143,197)
Leasehold improvements	(6,239)	(764)	—	—	(7,003)
Total accumulated depreciation	(478,892)	(29,294)	—	10,244	(497,942)
Total capital assets, net	\$ 284,981	1,540	—	(242)	286,279

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(7) Internally Designated and Donor Restricted Assets

Internally designated and donor restricted assets consist of the following, as of June 30:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Internally designated and donor restricted assets:		
Board designated assets:		
Pooled investments	\$ 33,700	31,027
Receivables and other	181	195
Property held for future use	<u>2,718</u>	<u>2,718</u>
Total board designated assets	36,599	33,940
Management designated assets:		
Pooled investments	53,871	39,268
Funds held by the University:		
Pooled investments	<u>4,873</u>	<u>3,713</u>
Total internally designated assets	<u>95,343</u>	<u>76,921</u>
Donor restricted assets:		
Pooled investments	<u>15,857</u>	<u>10,858</u>
Total donor restricted assets	<u>15,857</u>	<u>10,858</u>
Total internally designated and donor restricted assets	\$ <u><u>111,200</u></u>	<u><u>87,779</u></u>

(a) Board Designated Assets

Certain assets listed above have been designated by the Trustees for specific purposes. These assets comprise cash, cash equivalents, and other. The assets by designated purpose are as follows as of June 30:

	<u>2021</u>	<u>2020</u>
Commuter service fund	\$ 21,725	19,164
Self-insurance fund	1,284	1,272
Walter Scott Brown property	2,718	2,718
Equipment fund	5,133	5,011
Building repair and replacement fund	<u>5,739</u>	<u>5,775</u>
Total	\$ <u><u>36,599</u></u>	<u><u>33,940</u></u>

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(8) Other Current and Noncurrent Liabilities

Unearned rent, unearned revenue, long-term Medicare advanced payments, and other is reflected within other current liabilities and other noncurrent liabilities in the statements of net position. Changes in other current and noncurrent liabilities during the fiscal years ended June 30, 2021 and 2020 are summarized below:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>	<u>Due within one year</u>
Fiscal year ended:					
June 30, 2021	\$ 12,121	25,289	(686)	36,724	4,431
June 30, 2020	11,181	1,624	(684)	12,121	2,311

(9) Risk Management

Harborview is exposed to risk of loss related to professional, automobile and general liability, property loss, and injuries to employees. Harborview participates in risk and professional liability programs managed by the University to mitigate risk of loss related to these exposures.

The University's professional liability program currently includes self-insured and commercial reinsurance coverage components of which statutory self-insurance coverage is first dollar. Harborview's annual contribution to the professional liability program is determined by UW Medicine Finance using information from an annual actuarial study conducted by the University administration. In addition to the University, the participants in the professional liability program include Harborview, UWP, CUMG, UWNC, School of Dentistry, the School, Airlift, and UW Medical Center. In addition to the self-insurance fund contributions, the participants share in the expenses of the Clinical Risk Management Office. No claim liability is recorded on Harborview's balance sheet for professional liability exposures.

Harborview's contribution to the professional liability program was \$10,264 and \$4,793 in 2021 and 2020, respectively, and is recorded in other expense in the statements of revenues, expenses, and changes in net position.

(10) Benefit Costs

Harborview personnel are employees of the University. Benefit costs are pooled centrally for all University employees. Annually, the University reviews total employee benefit costs and prepares standard benefit load rates by employment classification. These benefit costs cover employee healthcare costs, workers' compensation, unemployment, employment taxes, other postretirement benefit plans, and retirement plans. Departments, divisions, agencies, component units, and affiliated parties of the University that have University employees qualifying for employee benefit coverage are charged a cost allocation using the

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determined benefit load rate and salary dollars by employment classification. All funding of obligations are on a pay-as-you-go basis.

Retirement and Other Postretirement Benefit Plans

All employees of the University participate in the following State and University sponsored retirement and other postretirement benefit plans:

(a) Washington Public Employees Retirement System (PERS)

PERS is a cost sharing, multiple-employer, defined-benefit pension plan administered by the state of Washington Department of Retirement Systems (DRS). There are three separate plans covered under PERS. PERS Plan 1 provides retirement and disability benefits and minimum benefit increases beginning at age 66 to eligible nonacademic plan members hired prior to October 1, 1977. PERS Plans 2 and 3 provide retirement and disability benefits and a cost-of-living allowance to eligible nonacademic plan members hired on or after October 1, 1977. In addition, PERS Plan 3 has a defined-contribution component, which is fully funded by employee contributions.

The authority to establish and amend benefit provisions resides with the legislature. The DRS issues a publicly available financial report that includes financial statements and required supplementary information for PERS. DRS publishes an annual report for retirement plans, which is available at: <https://www.drs.wa.gov/administration/annual-report/>.

The Washington State Office of the State Actuary, using funding methods prescribed by statute, determines actuarially required contribution rates for PERS. Funding obligations are measured at the University level and the University allocates expense to departments, divisions, agencies, and component units through the benefit load.

Based on the University's benefit load apportionment, Harborview incurred and paid \$39,797 and \$38,852 in fiscal years 2021 and 2020, respectively, related to annual PERS funding, which is recorded in employee benefits expense in the statements of revenues, expenses, and changes in net position. Because Harborview is not part of the University's financial reporting entity and does not directly fund the employer contribution to the DRS, Harborview does not record a PERS net pension liability in the statements of net position.

(b) University of Washington Retirement Plan (UWRP)

UWRP (the 403(b) plan) is a defined-contribution plan administered by the University. All faculty and professional staff are eligible to participate in the plan. Contributions to UWRP are invested by participants in annuity contracts or mutual fund accounts offered by one or more fund sponsors. Employees have at all times a 100% vested interest in their accumulations. Benefits from fund sponsors are available upon separation or retirement at the member's option. RCW 28B.10.400 et. Seq. assigns the authority to the University's Board of Regents to establish and amend benefit provisions.

HARBORVIEW MEDICAL CENTER
(A Component Unit of King County)
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Funding is determined by employee age and ranges from 5% to 10% of employee salary. Funding obligations are calculated at the University level and the University allocates expense to department, divisions, agencies, and component units through the benefit load.

Based on the University's benefit load apportionment, Harborview incurred and paid \$5,580 and \$5,375 in fiscal years 2021 and 2020, respectively, related to annual UWRP funding, which is recorded in employee benefits expense in the statements of revenues, expenses, and changes in net position.

(c) University of Washington Supplemental Retirement Plan (UWSRP)

UWSRP, a single-employer 401(a) defined-benefit retirement plan administered by the University, operates in tandem with the 403(b) plan that provides for a supplemental payment component, which guarantees a minimum retirement benefit based on a one-time calculation at each eligible participant's retirement date. The University makes direct payment to qualifying retirees when the retirement benefits provided by UWRP do not meet the benefit goals.

The University receives an independent actuarial valuation to determine funding needs for the supplemental payment component of UWRP. The funding obligation is determined at the University level and the University allocates expense to departments, divisions, agencies, and component units through the benefit load. This plan was closed to new participants effective March 1, 2011.

Based on the University's benefit load apportionment, Harborview incurred and paid \$613 and \$1,099 in fiscal years 2021 and 2020, respectively, related to annual UWSRP funding, which is recorded in employee benefits expense in the statements of revenues, expenses, and changes in net position. Because Harborview is not part of the University's financial reporting entity and Harborview has no legal responsibility for benefit payments of the plan directly to the employees, Harborview does not record a UWSRP pension liability in the statements of net position.

(d) Other Postemployment Benefits (OPEB)

OPEB are benefits provided to retired employees (and their spouses) beyond those provided by their pension plans. These programs for employees of the state of Washington are administered by the Washington State Health Care Authority (HCA). Per RCW 41.05.065, the Public Employees' Benefits Board (PEBB), created within the HCA, is authorized to design benefits and determine terms and conditions of employee and retired employee participation and coverage. Benefits provided by this single-employer defined-benefit OPEB plan include medical, prescription drug, life, dental, vision, disability, and long-term care insurance. Retirees have access to all of these benefits; however, medical, prescription drug, and vision insurance comprise the bulk of the monetary assistance, or subsidies, provided by PEBB OPEB. The Office of the State Actuary determines total OPEB obligations at the state level using individual state employee data, including age, retirement eligibility, and length of service.

Based on the University's benefit load apportionment, Harborview incurred and paid \$4,019 and \$3,867 in fiscal years 2021 and 2020, respectively, related to annual OPEB funding, which is recorded in employee benefits expense in the statements of revenues, expenses, and changes in net position.

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Because Harborview is not part of the University's financial reporting entity and Harborview does not directly fund the employer contribution to HCA, Harborview does not record an OPEB liability in the statements of net position.

(11) Related Parties

Harborview has engaged in a number of transactions with related parties. When economic benefits are either provided or received by Harborview, these transactions are recorded as operating revenue or expenses, respectively, by Harborview. Harborview records cash transfers between Harborview and related parties that are nonexchange transactions as nonoperating expenses within the statements of revenues, expenses, and changes in net position.

(a) University of Washington

University divisions provide various levels of support to Harborview. The following is a summary of services purchased:

(i) The School

Harborview purchases a variety of clinical, administrative, and teaching services from the School, which includes laboratory services, residency programs, direct faculty salaries, and clinical department funding. Harborview provides rental space for research programs of the School for which Harborview receives rental income. The amounts for these services are shown below (see (d)).

(ii) UW Medicine Shared Services

UW Medicine Shared Services comprises a number of functions within the University, established for the purpose of providing scalable administrative and IT support services for UW Medicine. These functions include UW Medicine ITS, Revenue Cycle, UW Medicine Finance and Accounting, UW Medicine Supply Chain, UW Medicine Contracting, as well as a number of other functions. Harborview provides rental space to UW Medicine Shared Services for which Harborview receives rental income. The amounts for these transactions are shown below (see (d)).

(iii) UW Medicine Central Costs

UW Medicine provides services to Harborview, such as executive leadership oversight, advancement, compliance, telemedicine, community relations staffing, medical staff oversight, marketing, and other administrative services. The amounts for these services are shown below (see (d)).

(iv) Other University Divisions and Departments

In addition to the divisions and transactions identified above, Harborview purchases IT services, general and professional liability insurance, printing, and other administrative and operational services from other divisions of the University. The amounts for these transactions are shown below (see (d)). Additionally, Harborview pays the University for salaries and wages of University

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employees deployed at Harborview. These transactions are not shown below in (d). At June 30, 2021 and 2020, \$26,046 and \$20,949 is included in accrued salaries, wages, and employee benefits in the statements of net position for salaries, wages, and employee benefits owed to the University.

(b) UW Neighborhood Clinics

Under an annual agreement between the involved UW Medicine entities, Harborview provided funding of approximately 26.6% of the UWNC's annual operating loss for fiscal years 2021 and 2020 and 20.0% of capital funding needs. Funding for operations from Harborview to UWNC was \$13,344 and \$13,834 for fiscal years 2021 and 2020, respectively, and is recorded as purchased services expense in the statements of revenues, expenses, and changes in net position. Capital funding from Harborview to UWNC was \$300 and \$250 for fiscal years 2021 and 2020, respectively, and is recorded as funding to affiliates in the statements of revenues, expenses, and changes in net position.

(c) King County

King County holds all investment funds on behalf of Harborview. Harborview has agreed to provide space and services on behalf of King County for certain grants and contracts, for which Harborview receives rental income and grant revenue from the County. The amounts for these transactions are shown below (see (d)). Additional detail describing Harborview's position within King County is provided in note 1. See further discussion about building rentals with the County in notes 12 (f) and (g).

(d) Summary of Related Party Transactions

Harborview's related party revenue and expense amounts are included in net patient service revenue, salaries and wages expense, employee benefits expense, purchased services expense, and other expense in the accompanying statements of revenues, expenses, and changes in net position. The

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(Dollar amounts in thousands)

following table summarizes the related party revenue and expense transactions for the years ended June 30, 2021 and 2020:

Revenue (expense) transactions	2021	2020
Services and supplies purchased from the University and its departments and affiliates:		
The School	\$ (117,765)	(105,863)
UW Medicine Shared Services	(134,379)	(121,092)
UW Medicine Central Costs	(11,802)	(11,996)
UW Medical Center	(3,412)	(3,670)
Other University divisions and departments	(17,136)	(12,591)
Services provided to the University and its departments and affiliates:		
The School	13,093	13,815
UW Medicine Shared Services	2,446	2,450
UW Medical Center	3,367	3,368
Other UW Medicine entities	795	677
Services provided to King County	13,152	13,557

Harborview had amounts due from (due to) related parties for various transactions, which are included in the due from related parties and, due to related parties in the accompanying statements of net position. The amounts as of June 30, 2021 and 2020 are as follows:

Due from related parties	2021	2020
The University and its departments and affiliates:		
The School	\$ 19,683	20,321
UWP	2,539	1,684
UW Medical Center	314	1,198
UW Medicine Shared Services	1,345	—
Airlift	3,391	3,495
Other University divisions and departments	1,998	644
UW Neighborhood Clinics	824	265
King County	5,924	4,350
Valley Medical Center	54	84

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<u>Due to related parties</u>	<u>2021</u>	<u>2020</u>
The University and its departments and affiliates:		
The School	\$ (9,482)	(4,452)
UW Medicine Shared Services	(39,274)	(18,361)
UW Medical Center	(1,145)	(333)
Other University divisions and departments	(6,365)	(1,886)
King County	(5,000)	(5,000)

(12) Commitments and Contingencies

(a) Operating Leases

Harborview leases certain medical office space and equipment under operating lease arrangements. Total rental expense for the years ended June 30, 2021 and 2020 for all operating leases was \$15,594 and \$15,674, respectively, which is recorded in other expense in the statements of revenues, expenses, and changes in net position.

The following schedule shows future minimum lease payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year by fiscal year as of June 30, 2021

2022	\$ 15,588
2023	180
2024	<u>76</u>
	<u>\$ 15,844</u>

(b) Purchase Commitments

Harborview has current commitments at June 30, 2021 of \$43,026 related to various construction projects and equipment purchases. Harborview intends to use its unrestricted funds for these commitments.

(c) Regulatory Environment

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not limited to, matters such as licensure, accreditation, governmental healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government agencies are actively conducting investigations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs, together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Through the UW Medicine compliance

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(Dollar amounts in thousands)

program, Harborview strives to maintain an effective and safe program for reporting and addressing potential regulatory concerns. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions known or unasserted at this time.

(d) *Litigation*

Harborview is aware of certain asserted and unasserted legal claims and regulatory matters arising in the normal course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on Harborview's financial statements.

(e) *Collective Bargaining Agreements*

Approximately 78.7% of the University employees deployed at Harborview are covered by collective bargaining agreements as of June 30, 2021. Nurses are represented by the Service Employees International Union (SEIU), and other healthcare and support workers are represented by the SEIU and Washington Federation of State Employees. All collective bargaining agreements expire on June 30, 2021. Upon expiration of a collective bargaining agreement, both parties are obligated to continue to bargain in good faith until an agreement is reached or one year after the expiration date stated in the agreement.

(f) *Patricia Bracelin Steel Building*

In December 2012, King County exercised its option to purchase the Patricia Bracelin Steel building (PSB), which is located on Harborview's campus. To fund the purchase of the building, King County issued Limited Tax General Obligation (LTGO) debt which matures in December 2031. The Agreement requires the Trustees to budget funds annually to cover the monthly rent and outstanding debt associated with PSB. As the financial obligations of the LTGO debt remain the responsibility of King County, Harborview accounts for these rental payments to King County for PSB as rental expense. Rental expense was approximately \$2,844 for both of the years ended June 30, 2021 and 2020, respectively. If Harborview continues to occupy this space, future annual lease expense will not differ significantly from the amount recognized in 2021.

(g) *Ninth and Jefferson Building*

In 2006, the Trustees passed a resolution in support of constructing the Ninth & Jefferson Building (NJB) under the 63-20 financing model. The building owner and lessor is Ninth & Jefferson Building Properties; however, the land upon which the building is constructed is owned by King County and leased to Ninth & Jefferson Building Properties under a ground lease. King County has entered into a lease with Ninth & Jefferson Building Properties for the building with a 30-year term. The lease qualifies for capital lease treatment, and as such, the building asset and related lease obligation are recorded by King County based on the terms of the agreement.

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The Agreement requires the Trustees to budget funds annually to cover the monthly rent and outstanding debt associated with NJB. As the financial obligations of the lease and outstanding debt remain the responsibility of King County, Harborview accounts for these rental payments to King County for NJB as rental expense. Rental expense was approximately \$11,122 for both the years ended June 30, 2021 and 2020. If Harborview continues to occupy this space, future annual lease expense will not differ significantly from the amount recognized in 2021.



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Seattle, WA 98101

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

The Board of Trustees
Harborview Medical Center:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities of Harborview Medical Center, a component unit of King County, as of June 30, 2021, and the related notes to the financial statements, which collectively comprise Harborview Medical Center's basic financial statements and have issued our report thereon dated October 8, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

**Purpose of this Report**

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

KPMG LLP

Seattle, Washington
October 8, 2021



KPMG LLP
Suite 2800
401 Union Street
Seattle, WA 98101

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

The Board of Trustees
Harborview Medical Center:

Report on Compliance for Each Major Federal Program

We have audited Harborview Medical Center's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Harborview Medical Center's major federal programs for the year ended June 30, 2021. Harborview Medical Center's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Harborview Medical Center's compliance.

Opinion on Each Major Federal Program

In our opinion, Harborview Medical Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.



Report on Internal Control Over Compliance

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

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

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

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

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

We have audited the financial statements of Harborview Medical Center as of and for the year ended June 30, 2021, and have issued our report thereon dated October 8, 2021, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

KPMG LLP

Seattle, Washington
September 22, 2022

HARBORVIEW MEDICAL CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2021

Federal CFDA No.	Federal CFDA Title	Pass-Through Grantor	Contract ID	Contract Period	HMC ID	Program Description	Cost Center	Federal Expenditures - Direct Awards	Federal Expenditures - Pass Through Awards	Expenditures to Subrecipients
MEDICAID CLUSTER										
Department of Health & Human Services										
93.778	Medical Assistance Program	Seattle Human Services Department	DA20-1329 DA21-1329	1/1/20 - 12/31/20 1/1/21 - 12/31/22	15450	Harborview-Gero-Psych Consultation	7226		561	
CFDA 93.778 Total								—	561	—
MEDICAID CLUSTER TOTAL								—	561	—
Department of Housing and Urban Development										
14.267	Continuum of Care Program	King County Department of Community and H	6056648 Amd #3 6056648 Amd #4	6/1/20 - 5/31/2021 3/1/2021 - 7/31/2021	15265	Scattered Sites Supportive Housing	7242		111,579 10,042	
CFDA 14.267 Total								—	121,621	—
Department of Housing and Urban Development Total								—	121,621	—
Department of Justice										
16.575	Crime Victim Assistance	Washington State Dept. of Commerce	21-31310-130 20-31219-013 Amd A F17-31219-542 Amd B F19-31219-542	7/1/20 - 6/30/21 7/1/20 - 6/30/21 7/1/19 - 12/31/20 1/1/21 - 12/31/22	18700 18705 18706	OCVA Crime Victim Serv. Proj. OCVA - Crime Victim Services Proj. OCVA - Sexual Assault Medical Forensic Examination	7814 7828 7512		472,959 116,038 75,100 36,000	
CFDA 16.575 Total								208,825	700,097	—
16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	Washington State Dept. of Commerce	19-31310-030 Amd B	7/1/18 - 9/30/21	18717A	OCVA Sexual Assault Nurse Examiner (SANE) Training Program	7816		204,392	
CFDA 16.590 Total								—	204,392	—
Department of Justice Total								208,825	904,489	—
Department of Health & Human Services										
93.136	Injury Prevention and Control Research and State and Community Based Programs	Washington State Dept. of Commerce	F20-31310-609 F21-31310-609	2/1/20 - 1/31/21 2/1/21 - 1/31/22	18701	OCVA Rape Prevention and Education	7816		66,693 47,832	
CFDA 93.136 Total								—	114,525	—
93.153	Coordinated Services and Access to Research for Women, Infants, Children, and Youth	Direct Award - HRSA	H12HA28849-05-00 H12HA28849-05-03 H1XHA37055	8/1/19 - 7/31/20 8/1/20 - 7/31/22 4/1/20 - 3/31/21	18215 18215 18215A	Ryan White Part D - Madison Ryan White Part D - Social Work Ryan White Part D - Madison Ryan White Part D - Social Work Ryan White Part D - Madison - COVID-	7621 7886 7621 7886 7623	98,261 13,412 1,053,099 148,493 80,093		5,636 59,302
CFDA 93.153 Total								1,393,358	—	64,938
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance	Direct Award - HRSA	6H79TI081638-02M002 6H79TI081638-03M003	9/30/19 - 9/29/20 9/30/20 - 9/29/21	15501	Medication Assisted Treatment Prescription Drug and Opioid Addiction Project	7451	199,510		
CFDA 93.243 Total								848,006	—	—
93.461	COVID-19 Testing for the Uninsured							998,124		
CFDA 93.461 Total								998,124	—	—
93.498	Provider Relief Funds							47,757,476		
CFDA 93.498 Total								47,757,476	—	—
93.665	Emergency Grants to Address Mental and Substance Use Disorders During COVID-19	Washington State Health Care Authority	1265-62496	7/31/2020 - 11/30/21	15345	COVID-19 ER for Suicide Prevention	7835		449,507	
CFDA 93.665 Total								—	449,507	—

HARBORVIEW MEDICAL CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2021

Federal CFDA No.	Federal CFDA Title	Pass-Through Grantor	Contract ID	Contract Period	HMC ID	Program Description	Cost Center	Federal Expenditures - Direct Awards	Federal Expenditures - Pass Through Awards	Expenditures to Subrecipients
93.788	Opioid STR	Washington State Health Care Authority	1765-98326 Amd #6 K4856 K3754 K4866	5/31/2020 - 9/29/20 9/30/20 - 9/29/2021 6/24/2019 - 9/29/2020 9/30/2020 - 9/29/2021	15500 15502	HUB Mat Services State Targeted Response to the Opioid Crisis Opiate Treatment Networks	7452 7885	16,564 30,594 6,315 12,128	230,456 531,500 128,500 258,000	
CFDA 93.788 Total								65,601	1,148,456	—
93.817	Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	Washington State Department of Health	PO T150334	7/1/20 - 12/31/20	18404	COVID Coordination	8713		186,440	
CFDA 93.817 Total								—	186,440	—
93.889	National Bioterrorism Hospital Preparedness Program	Washington State Department of Health	PO T150334	7/1/20 - 12/31/20	18404	COVID Coordination	8713		675,456	
CFDA 93.889 Total								—	675,456	—
93.917	HIV Care Formula Grants	Washington State Department of Health	HSP24204 AMD #4	7/1/2020 - 6/30/2021	18190	HIV-centered Client Services to People at High Risk and People Living with HIV	7882		122,437	
CFDA 93.917 Total								—	122,437	—
93.918	Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	Direct Award - HRSA	H76HA00198-28-00 H76HA00198-28-02 H7CHA37279	1/1/20 - 12/31/20 1/1/21 - 12/31/21 4/1/20 - 3/31/21	18210 18210A	Ryan White Part C Ryan White Part C - COVID19	7619 7622	758,997 670,886 196,470		
CFDA 93.918 Total								1,626,353	—	—
93.958	Block Grants for Community Mental Health Services	Washington State Health Care Authority	1565-48149 Amd #4 1565-48149 Amd #5	10/1/19 - 9/30/20 10/1/20 - 9/30/21	18765	Trauma-Focused Behavioral Therapy	7816		74,364 186,116	
CFDA 93.958 Total								—	260,480	—
Department of Health & Human Services Total								52,688,918	2,957,301	64,938
Department of the Treasury										
21.019	Coronavirus Relief Fund	King County Department of Community and Human Services University of Washington	6020852 Amd #4	3/31/20 - 12/31/21 5/1/20 - 12/31/20	15326	COVID-19 Relief Fund	7229		102,937 3,369,251	
CFDA 21.019 Total								—	3,472,188	—
Department of the Treasury Total								—	3,472,188	—
FEDERAL EXPENDITURES TOTALS BY AWARD TYPE								52,897,743	7,456,160	64,938
FEDERAL EXPENDITURES GRAND TOTAL									60,418,841	

**HARBORVIEW MEDICAL CENTER
UNIFORM GUIDANCE FOR FEDERAL AWARDS**

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2021

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Harborview Medical Center (the Medical Center) under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200 (2 CFR 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Medical Center, it is not intended to and does not present the statements of net position, statements of revenues, expenses, and changes in net position, or cash flows of the Medical Center.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

(3) Indirect Cost Rate

The Medical Center has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

(4) Personal Protective Equipment Receipts (unaudited)

The Medical Center has not received any donated personal protective equipment (PPE).

(5) Provider Relief Funds

During the year ended June 30, 2020, the Medical Center was the recipient of funds under the CARES Act Provider Relief Fund program. In accordance with guidance provided in the OMB 2 CFR 200 Part 200 Compliance Supplement, such amounts are reflected, to the extent utilized, in the schedule of expenditure of federal awards for the year ended June 30, 2021.

**HARBORVIEW MEDICAL CENTER
UNIFORM GUIDANCE FOR FEDERAL AWARDS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

(1) Summary of Auditors' Results

- a. Type of report issued on whether the financial statements were prepared in accordance with generally accepted accounting principles: **Unmodified**
- b. Internal control deficiencies over financial reporting disclosed by the audit of the financial statements:
 - Material weaknesses: **No**
 - Significant deficiencies: **None Reported**
- c. Noncompliance material to the financial statements: **No**
- d. Internal control deficiencies over major programs disclosed by the audit:
 - Material weaknesses: **No**
 - Significant deficiencies: **None reported**
- e. Type of report issued on compliance for major programs: **Unmodified**
- f. Audit findings that are required to be reported in accordance with 2 CFR 200.516(a): **No**
- g. Major programs:
 - CFDA 93.498 – Provider Relief Funds
 - CFDA 21.019 – Coronavirus Relief Fund
- h. Dollar threshold used to distinguish between Type A and Type B programs: **\$1,812,565**
- i. Auditee qualified as a low-risk auditee: **Yes**

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

None

(3) Findings and Questioned Costs Relating to Federal Awards

None