Exhibit 8-A

Audited Financial Statements of Sanford for the Five Fiscal Years Ended December 31, 2019 Through 2023

SANFORD™

Consolidated Financial Statements and
Supplemental Consolidating Information as of and
for the Years Ended December 31, 2019 and 2018,
and Independent Auditors' Report

SANFORD

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of Sanford
Sioux Falls, South Dakota

We have audited the accompanying consolidated financial statements of Sanford and its subsidiaries ("Sanford"), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sanford as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplemental Schedules

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental schedules listed in the table of contents on pages 34-40 are presented for the purpose of additional analysis and are not a required part of the consolidated financial statements. These schedules are the responsibility of Sanford's management and were derived from and relate directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such schedules have been subjected to the auditing procedures applied in our audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such schedules directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such schedules are fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Deloitte & Touche LLP

April 16, 2020

SANFORD

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2019 AND 2018
(In thousands)

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash	$ 191,994	$ 109,306
Short-term investments	352,564	85,028
Accounts receivable, less allowances	684,307	557,208
Inventories	105,657	102,790
Other current assets	80,786	70,176
Total current assets	1,415,308	924,508
INVESTMENTS	1,528,362	1,227,667
ASSETS WHOSE USE IS LIMITED	162,983	114,512
PROPERTY AND EQUIPMENT — NET	3,024,996	1,761,594
OTHER ASSETS		
Right of use asset	86,998	-
Investment in joint ventures	38,614	45,298
Non-operating property	127,318	101,104
Goodwill and intangible assets	83,133	57,253
Notes receivable	39,759	35,334
Other assets	70,178	63,295
Total other assets	446,000	302,284
TOTAL ASSETS	$ 6,577,649	$ 4,330,565

See notes to consolidated financial statements.

SANFORD

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2019 AND 2018
(In thousands)

	2019	2018
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current maturities of long-term debt	$ 64,251	$ 51,096
Current portion of other liabilities	78,592	31,830
Accounts payable	149,415	96,230
Accrued compensation and benefits	285,036	207,000
Medical claims payable	92,207	84,315
Other accruals	95,449	42,796
Total current liabilities	764,950	513,267
OTHER LIABILITIES		
Operating leases	59,517	-
Deferred compensation	173,165	134,513
Defined benefit pension	62,942	61,694
Residential housing deposits	128,169	-
Other non-current liabilities	101,317	77,236
Total other liabilities	525,110	273,443
LONG-TERM DEBT, LESS CURRENT MATURITIES	1,568,304	862,287
Total liabilities	2,858,364	1,648,997
COMMITMENTS AND CONTINGENCIES (NOTE 15)		
NET ASSETS		
Without donor restrictions - controlling interest	3,358,822	2,435,596
Without donor restrictions - non-controlling interest	24,347	-
With donor restrictions	336,116	245,972
Total net assets	3,719,285	2,681,568
TOTAL LIABILITIES AND NET ASSETS	$ 6,577,649	$ 4,330,565

See notes to consolidated financial statements.

SANFORD

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In thousands)

	2019	2018
OPERATING REVENUES		
Net patient revenue	$ 3,602,719	$ 3,373,342
Net resident revenue	832,986	30,274
Premium revenue	979,964	915,077
Other operating revenue	813,308	500,391
Total operating revenues	6,228,977	4,819,084
OPERATING EXPENSES		
Salaries and benefits	3,202,140	2,396,663
Supplies	1,026,106	853,066
Purchased services and other	900,192	597,032
Medical claims	635,482	592,809
Depreciation and amortization	244,971	168,169
Interest	64,905	38,436
Total operating expenses	6,073,796	4,646,175
INCOME FROM OPERATIONS	155,181	172,909
NON-OPERATING INCOME (EXPENSE)		
Investment return (loss)	118,802	(33,860)
Contributions from business combination	785,232	-
Loss on extinguishment of debt	(77,710)	-
Other expenses	(55,391)	(32,931)
Net non-operating income (expense)	770,933	(66,791)
EXCESS OF REVENUES OVER EXPENSES	926,114	106,118
Plus deficiency of revenues over expenses attributable to non-controlling interest	2,563	-
EXCESS OF REVENUES OVER EXPENSES ATTRIBUTABLE TO CONTROLLING INTEREST	$ 928,677	$ 106,118

See notes to consolidated financial statements.

SANFORD

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In thousands)

	2019	2018
NET ASSETS WITHOUT DONOR RESTRICTIONS - CONTROLLING INTEREST		
Excess of revenues over expenses attributable to controlling interest	$ 928,677	$ 106,118
Net assets released from restrictions for acquisition of property and equipment	5,058	12,824
Pension plan related changes	(10,509)	4,798
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS - CONTROLLING INTEREST	923,226	123,740
NET ASSETS WITHOUT DONOR RESTRICTIONS - NON-CONTROLLING INTEREST		
Deficiency of revenues over expenses	(2,563)	-
Contributions from non-controlling interests	1,909	-
Contributions from business combination	25,001	-
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS - NON-CONTROLLING INTEREST	24,347	-
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	17,449	47,279
Investment return (loss) and other	19,543	(3,610)
Contributions from business combination	77,584	-
Net assets released from restrictions	(24,432)	(25,703)
INCREASE IN NET ASSETS WITH DONOR RESTRICTIONS	90,144	17,966
INCREASE IN NET ASSETS	1,037,717	141,706
NET ASSETS — BEGINNING OF YEAR	2,681,568	2,539,862
NET ASSETS — END OF YEAR	$ 3,719,285	$ 2,681,568

See notes to consolidated financial statements.

SANFORD

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In thousands)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	$ 1,037,717	$ 141,706
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Net realized and unrealized market (gain) loss on investments	(102,953)	65,952
Depreciation and amortization	242,527	168,169
Loss (gain) on sale or property and equipment	2,444	(4,691)
Pension plan related changes	10,509	(4,798)
Loss on extinguishment of debt	77,710	-
Contributions from business combination	(887,817)	-
Contributions into non-controlling interest	(1,605)	-
Contributions restricted for long-lived purposes	(9,071)	(22,376)
Other changes in net assets	(735)	(13,515)
Changes in other operating elements		
Accounts receivable and other assets	(36,790)	(61,632)
Accounts payable and other current liabilities	38,430	(67,042)
Deferred compensation liability	34,371	2,665
Other liabilities	(4,291)	(16,708)
Cash flows from operating activities	400,446	187,730
CASH FLOWS USED IN INVESTING ACTIVITIES		
Cash and cash equivalents acquired through business combination	130,490	-
Acquisition of property and equipment	(241,387)	(160,962)
Proceeds from sale of property and equipment	27,466	1,212
Purchases of investments and deferred compensation assets	(503,362)	(259,406)
Proceeds from sale of investments and deferred compensation assets	411,852	263,187
Increase in other assets	(4,826)	(12,508)
Cash flows used in investing activities	(179,767)	(168,477)
CASH FLOWS USED IN FINANCING ACTIVITIES		
Proceeds from issuance of short-term bridge loan	655,007	-
Repayment of short-term bridge loan	(655,007)	-
Proceeds from issuance of long-term debt related to extinguishment	736,975	-
Bond premiums related to extinguishment	69,314	-
Extinguishment of long-term debt	(780,706)	-
Advance refunding escrows	(101,833)	-
Repayment of long-term debt	(57,572)	(43,842)
Net decrease of bond discounts, premiums and deferred financing costs	(7,793)	(1,652)
Proceeds from residential housing deposits and annuities issued	20,079	-
Refunds of residential housing deposits	(14,853)	-
Contributions into non-controlling interest	1,605	-
Proceeds from contributions restricted for long-lived purposes	9,071	7,376
Cash flows used in financing activities	(125,713)	(38,118)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	$ 94,966	$ (18,865)

(Continued)

SANFORD

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In thousands)

	2019	2018
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	$ 94,966	$ (18,865)
CASH AND CASH EQUIVALENTS — BEGINNING OF YEAR	111,680	130,545
CASH AND CASH EQUIVALENTS — END OF YEAR	$ 206,646	$ 111,680
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Property and equipment funded through accounts payable	$ 10,661	$ 7,341
Property and equipment funded through long-term debt	4,945	-
Right of use asset financed by operating lease liabilities	14,410	-
In-kind contributions received	-	24,631
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	$ 64,561	$ 39,092
RECONCILIATION OF CASH AND CASH EQUIVALENTS		
Cash	$ 191,994	$ 109,306
Cash equivalents included in other current assets	2,240	1,332
Cash equivalents included in assets whose use is limited	12,412	1,042
	$ 206,646	$ 111,680

(Concluded)

See notes to consolidated financial statements.

1. NATURE OF ORGANIZATION

Sanford is a nonprofit corporation headquartered in Sioux Falls, South Dakota. Sanford and its wholly owned subsidiaries (collectively referred to as Sanford) is a regionally integrated network of physicians, hospitals, senior care, and healthcare management services. Sanford operates general acute care hospitals, critical access hospitals, primary and specialty care clinics, senior care and housing facilities, retail pharmacies, home health and hospice care programs, fully insured health insurance companies, weight management retail stores, research, and foundations supporting health related services. As of December 31, 2019, Sanford employed 1,478 physicians.

On January 1, 2019, Sanford became the sole corporate member of The Evangelical Lutheran Good Samaritan Society (the Society), a North Dakota nonprofit corporation headquartered in Sioux Falls, South Dakota. The Society, together with its affiliates, provides senior care services across the United States and operates skilled nursing facilities, residential housing for seniors, home and community based health services and affordable housing projects. See Note 18 for further information regarding the business combination.

The consolidated financial statements include the accounts of Sanford, which incorporate both tax-exempt and taxable entities. All material intercompany balances and transactions have been eliminated in the consolidation.

OBLIGATED GROUP Sanford and certain of its wholly owned entities have entered into a first amended and restated Master Trust Indenture (MTI) dated November 1, 2019. Members of the Obligated Group are jointly and severally obligated for the debt issued and guaranteed under the MTI. Sanford, as Obligated Group Agent, together with the following are members of the Obligated Group as of December 31, 2019:

Sanford Health
Sanford North
Sanford West
Sanford Health of Northern Minnesota
Sanford Medical Center
Sanford Medical Center Fargo
Sanford Bismarck
Sanford Clinic
Sanford Clinic North
Sanford Health Network
Sanford Health Network North
Sanford Home Health
Sanford Living Centers
Sanford Health Foundation
Sanford Health Foundation North
Sanford Health Foundation West
Sanford Health Foundation of Northern Minnesota
The Evangelical Lutheran Good Samaritan Foundation
The Evangelical Lutheran Good Samaritan Society

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements are prepared on the accrual basis of accounting. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. Such estimates include allowances for contractual adjustments and implicit price concessions (bad debts), medical and self-insured claims payable, post-retirement benefit obligations, and fair value measurement of assets and liabilities acquired through the business combination which affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH Cash consists of deposits in banks and does not include any cash equivalents. At times, cash accounts exceeded federally insured limits. Management believes that the institutions where cash accounts are maintained are financially stable and that the credit risk related to deposits is minimal.

INVENTORIES Inventories are reported at lower of cost or market. Inventories include supplies, which are generally based on average cost method, and pharmaceuticals, which are based on the first-in, first-out cost method.

OTHER CURRENT AND NON-CURRENT ASSETS Other assets consist of prepaid expenses, beneficial interest in life estates, and the current and non-current portion of notes and contributions receivable.

INVESTMENTS AND INVESTMENT RETURN (LOSS) Sanford invests in various securities, including debt and equity instruments. Investment securities are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the value of investment securities could occur and such changes could materially affect the value of investments. Investments are stated at fair value of the underlying securities.

Investment return used to fund initiatives is included in other operating revenue. All other investment return (loss), including realized and unrealized gains and losses, are recorded as non-operating income (expense), unless restricted by donors.

PROPERTY AND EQUIPMENT Land, land improvements, buildings, equipment (including software), and construction in process are reported at cost or market value at the time of purchase. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets as follows:

Land and land improvements	8-25 years
Buildings	20-40 years
Building equipment	5-25 years
Moveable equipment	3-20 years

Management annually reviews the carrying value of long-lived assets for potential impairment. There were no impairment losses during the years ended December 31, 2019 and 2018.

NON-OPERATING PROPERTY Non-operating property consists primarily of real estate held for future development. Real estate is recorded at cost or market value at the time of purchase.

RIGHT OF USE ASSET AND OPERATING LEASE LIABILITIES Sanford leases various facilities and equipment under non-cancelable operating leases expiring at various dates through December 2036, and records the corresponding right of use asset and operating lease liabilities on the balance sheet. Right of use asset is calculated as the lease liability plus any prepaid lease payments and initial direct costs, less any lease incentives. Renewal options to extend the lease term that are reasonably certain to be exercised are included in the measurement of leases. Operating lease liabilities are calculated as the present value of the remaining lease payments, discounted at 5.0%. Sanford excludes operating leases with terms of twelve months or less and includes any fixed non-lease components in lease measurement.

GOODWILL AND INTANGIBLE ASSETS Goodwill represents any excess of acquisition price over fair value of net assets acquired. The balance was $58,272 and $39,302 as of December 31, 2019 and 2018. The annual impairment test was performed resulting in no impairment charges for the years ended December 31, 2019 and 2018. Intangible assets are amortized over the terms of the agreements. The balance, net of accumulated amortization, was $24,861 and $17,951 as of December 31, 2019 and 2018.

NOTES RECEIVABLE As part of the recruitment process, notes with forgiveness provisions may be issued to certain providers and employees. Notes are repayable over periods varying from one to ten years and are issued at current interest rates. As of December 31, 2019 and 2018, notes receivable from providers and employees totaled $47,952 and $47,994, with balances due or to be forgiven within one year reported within other current assets and non-current balances outstanding reflected as notes receivable.

MEDICAL CLAIMS PAYABLE Medical claims payable represents the estimated amount payable to non-Sanford healthcare providers and includes claims reported and actuarial estimates of incurred but not reported claims. The liability for these medical benefits reflects management's best estimate and is based on historical payment patterns as well as current utilization and cost trends. Actuarial adjustments are reflected in the operating results in the period in which the change in estimate is identified.

OTHER LIABILITIES Current portion of other liabilities and non-current liabilities primarily consist of professional and general liability claims reserves, workers' compensation insurance reserves, deferred revenue, security deposits, asset retirement obligation, accrued taxes and interest, and the current portion of operating leases and residential housing deposits.

DEFERRED COMPENSATION Sanford offers management and providers the ability to participate in non-qualified plans created in accordance with applicable provisions of the Internal Revenue Code. The plans permit deferral of salary, and the accumulated deferred compensation balance is not available to employees until a distributable event, as defined within the plan documents. All amounts of compensation deferred under the plans, and all income attributable to those amounts, are solely the property of Sanford until paid or made available to the employee or other beneficiary. The related assets are reported within assets whose use is limited at their fair market value, and the related liabilities are reported as non-current liabilities.

RESIDENTIAL HOUSING DEPOSITS Residential housing deposits received in advance for admittance into residential units typically have varying refundable portions based upon time restrictions and vacancy of the unit. The nonrefundable portion of the deposits are amortized into other operating revenue over the life expectancy of the occupant and fully recognized when the occupant vacates the unit.

NET ASSETS Net assets not subject to donor imposed stipulations are reflected as net assets without donor restrictions. Net assets with donor restrictions are those whose use has been limited by donors to a specific purpose, period of time, or that must be maintained in perpetuity. Gifts and other resources with restrictions are recorded as direct additions to net assets with donor restrictions.

When a restriction is met, or a donor-imposed restriction changes, net assets are reclassified and reported as net assets released from restrictions within other operating revenue, non-operating expense, or releases for acquisitions of property and equipment. Donor restricted gifts whose restrictions are met within the same year as received are reported as contributions without donor restrictions in the accompanying consolidated financial statements.

NON-CONTROLLING INTEREST Sanford has less than 100% ownership in ten tax credit limited partnerships and Good Samaritan Insurance Plan, LLC. Sanford controls these entities and accordingly has consolidated them into the financial statements for the year ended December 31, 2019. The net assets attributed to the non-controlling partners are reported as net assets without donor restrictions - non-controlling interest on the consolidated balance sheets.

OPERATING AND NON-OPERATING ACTIVITIES Income from operations includes all revenues and expenses related to core operations. The primary objective of operations is to meet the healthcare needs of individuals. All activities directly associated with this objective are considered operating activities. Non-operating items primarily include investment return (loss), contributions from business combination, net rental income from non-operating property, and other expenses which consist of loss on extinguishment of debt, contributions, and income taxes.

CHARITY CARE AND COMMUNITY BENEFITS Sanford provides care to patients and residents without charge or at amounts less than its established rates regardless of their ability to pay. These patients and residents meet criteria as defined by Sanford's charity care policies. Sanford does not pursue collection of amounts determined to qualify as charity care. Accordingly, these amounts are not reported as net patient revenue or net resident revenue. The total cost of charity care (estimated by applying an overall cost to charge ratio to the charges incurred) was $90,581 and $87,431 for the years ended December 31, 2019 and 2018.

Sanford also provides a variety of services and benefits designed to improve the health in the communities served. These benefits include education and promotion of health activities, civic involvement, community funding, and medical research.

PREMIUM REVENUE Premium revenue represents gross premiums earned in the year for which fully insured services are covered. Premium revenue includes amounts paid by employer groups and individual members, as well as state and federal governments. Premiums are contractual and are recognized in the coverage period in which members are entitled to receive healthcare services. Premiums received in advance of a coverage period are recorded as other accrued liabilities.

OTHER OPERATING REVENUE Other operating revenue is primarily generated by pharmacies, reference labs, mobile diagnostic services, and various other retail or rental operations and are recognized when services are performed or products are delivered. Other operating revenue also includes contributions without donor restrictions.

INTEREST EXPENSE Interest expense includes interest costs incurred on borrowed funds (net of interest income earned on investments held by trustee under bond indenture agreements), deferred financing costs, and fees paid to maintain assets held by trustees under indenture, remarketing, and liquidity facility agreements. Deferred financing costs are amortized over the period the obligation is outstanding using the effective interest method. Interest costs are capitalized during the construction of capital assets as a component of the cost of acquiring those assets, of which no interest costs were capitalized in the years ended December 31, 2019 and 2018.

INCOME TAXES Certain wholly owned subsidiaries are subject to income taxes. Deferred income tax assets and liabilities are recognized for the differences between the financial and income tax reporting basis of assets and liabilities based on enacted tax rates and laws. A tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination.

The deferred income tax provision or benefit generally reflects the net change in deferred income tax assets and liabilities during the year. Deferred tax assets of $4,761 and $7,626 have been recorded in other assets and deferred tax liabilities of $55 and $89 have been recorded as other non-current liabilities as of December 31, 2019 and 2018.

The current income tax provision reflects the tax consequences of revenues and expenses currently taxable or deductible on various income tax returns for the year reported. Sanford paid an insignificant amount of federal and state income taxes for the years ended December 31, 2019 and 2018.

NEW ACCOUNTING PRONOUNCEMENTS In May 2014, the Financial Accounting Standards Board (FASB) issued *Revenue from Contracts with Customers* (Accounting Standards Update (ASU) No. 2014-09), which provides a framework for the recognition of revenue, with the objective that recognized revenue properly reflect amounts an entity is entitled to receive in exchange for goods and services. This guidance, which includes additional disclosure requirements regarding revenue and obligations related to contracts with customers, was effective for Sanford on January 1, 2018. The presentation of the financial statements and respective note disclosure in Note 3 has been adjusted to comply with this standard using a modified retrospective method of application. The most significant impact is presentation of the statement of operations, where the provision for bad debts is now reflected as a direct reduction to net patient and resident revenue and is no longer presented as a separate line item. The standard does not significantly impact how Sanford accounts for net patient revenue, net resident revenue, and other operating revenue and does not apply to the recognition of premium revenue.

In May 2015, the FASB issued *Fair Value Measurement* (ASU 2015-07, Topic 820)*: Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)*, which removes the requirement to include investments in the fair value hierarchy for which fair value is measured using the net asset value (NAV). This guidance was adopted by Sanford on January 1, 2018 and the presentation of the fair value footnote disclosure has been adjusted to comply with this standard.

In August 2016, the FASB issued *Presentation of Financial Statements of Not-For-Profit Entities* (ASU No. 2016-14), which simplifies and improves how not-for-profit entities classify net assets as well as the information presented in the financial statements and notes about liquidity, financial performance and cash flows. This guidance was effective for Sanford on January 1, 2018, and the presentation of the financial statements Notes 2, 16, and 17 have been adjusted and Note 5 has been added to comply with this standard.

In March 2017, the FASB issued *Compensation-Retirement Benefits* (ASU 2017-07, Topic 715)*: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which requires an employer to report the service cost component in the same line item as other compensation costs arising from services rendered by employees during the period. It also requires the other components of net periodic pension cost and net periodic postretirement benefit cost to be presented separately from the service cost component and outside income from operations. This guidance was effective for Sanford on January 1, 2018 and did not significantly affect the financial statements.

In February 2016, the FASB issued *Leases* (ASU No. 2016-02), which is intended to improve financial reporting related to leasing transactions, and in July 2018, the FASB issued *Leases, Targeted Improvements to ASC 842* (ASU 2018-11), which provides relief of implementing certain components of the new lease guidance. Through adoption of this guidance, effective January 1, 2019, Sanford elected the practical expedient package under ASC 842 which allows Sanford to dismiss reassessment of pre-existing contracts entered into prior to January 1, 2019 for determination if those contracts contain lease arrangements defined under the new guidance. Sanford also elected the practical expedient for combining lease and fixed non-lease components in lease measurement. As such, Sanford has measured all existing operating leases as of January 1, 2019 and applied the new guidance to any new contracts entered into after January 1, 2019, resulting in initial recognition of $93,404 right of use asset (net of deferred lease expense) and corresponding operating lease liabilities. Sanford did not restate prior year to incorporate the new lease guidance as allowed under ASU 2018-11. Accordingly, the lease guidance was only applied to the presentation of the balance sheet as of December 31, 2019 and Note 11 has been added to comply with this standard.

In November 2016, the FASB issued *Restricted Cash* (ASU No. 2016-18), which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. This guidance was effective for Sanford on January 1, 2019. As a result of the standard, Sanford has included cash equivalents within other current assets and assets whose use is limited with cash when reconciling the beginning of year and end of year amounts shown on the statement of cash flows.

In January 2017, the FASB issued *Business Combinations* (ASU No. 2017-01) effective January 1, 2019 for Sanford, which clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions or disposals of businesses. Sanford has evaluated and concluded that this standard does not significantly impact how Sanford reflects business combinations within its financial statements.

RECLASSIFICATIONS Certain prior year amounts have been reclassified to conform to the current year presentation. These reclassifications had no effect on the reported results of operations and are immaterial in nature.

SUBSEQUENT EVENTS In March 2020, the World Health Organization declared the outbreak of novel coronavirus disease (COVID-19) as a pandemic. Sanford expects operations to be affected as the virus continues to proliferate and continues to monitor the situation closely. In light of the uncertainty as to the severity and duration of the pandemic, the impact on Sanford's future operating performance and balance sheet is uncertain at this time.

Sanford has evaluated subsequent events through April 16, 2020, the date this report was issued, and no additional significant events have been identified.

3. NET PATIENT REVENUE, NET RESIDENT REVENUE, AND ACCOUNTS RECEIVABLE

Net patient revenue and net resident revenue is reported at estimated net realizable amounts from patients, residents, third-party payors, and others that Sanford expects to receive in exchange for providing patient and resident care. Sanford determines performance obligations based on the nature of the services provided. Revenue is recognized when those services are rendered and the patient, resident, or third-party payor is billed, usually in advance or within several days of service or discharge. For services provided over a period of time, such as inpatients receiving acute care services or residents receiving post-acute care services, revenue recognition begins when the patient or resident is admitted and concludes at the time of discharge. Remaining performance obligations relating to inpatient acute care services or resident post-acute care services as of December 31, 2019 will be satisfied in full in 2020. As a result, Sanford has applied the optional exemption provided in ASC 606-10-50-14(a) and is not required to disclose these amounts.

The initial estimate of net patient and resident revenue is determined by reducing the gross charge by contractual adjustments arising from various reimbursement arrangements with third-party payors and implicit price concessions (bad debts) provided to self-pay patients or residents for their respective responsibility. As a practical expedient, Sanford has elected to account for third-party payor, patient, and resident contracts as collective groups rather than individual contracts. The financial statement effects of using this practical expedient are not materially different from an individual contract approach.

Sanford grants credit without collateral to its patients and residents, most of whom are insured under third-party payor agreements. Sanford participates in Medicare, Medicaid, Blue Cross and other third-party payor programs. Contractual adjustments are accrued on an estimated basis in the period in which the services are rendered based on the respective contractual agreements and historical experience. Certain reimbursement arrangements are subject to retroactive audit, and as a result, there is a reasonable possibility that recorded estimates could change upon audit. Differences between amounts estimated and final settlements are included in operations in the year in which the differences become known.

Generally, patients and residents who are covered by third-party payors are responsible for related deductibles and coinsurance, which Sanford estimates the corresponding ability to collect based on historical experience, current market conditions, and information gathered based on the patient or resident's ability to pay. Subsequent changes as a result of adverse changes in the patient or resident's ability to pay are recorded as bad debt expense within operating expenses. Subsequent changes to allowance for bad debts estimates for the years ended December 31, 2019 and 2018 were not material.

As part of Sanford's self-insured health plan benefit, net patient revenue of $98,550 and $102,193 was recognized for the years ended December 31, 2019 and 2018.

The percentage of net patient revenue, net resident revenue and net accounts receivable as of and for the years ended December 31 was as follows:

	Patient		Resident	
	2019	2018	2019	2018
Net revenue				
Medicare	33.0 %	33.3 %	15.2 %	0.2 %
Medicaid	10.3	10.1	45.6	59.7
Blue Cross	28.7	28.8	0.0	0.0
Other third-party payors	25.9	25.6	7.6	4.9
Self-pay and other	2.1	2.2	31.6	35.2
	100.0 %	100.0 %	100.0 %	100.0 %
Net accounts receivable				
Medicare	24.5 %	24.4 %	16.7 %	8.7 %
Medicaid	10.0	8.4	40.8	61.8
Blue Cross	21.6	22.6	0.0	0.0
Other third-party payors	28.0	28.7	25.0	15.2
Self-pay and other	15.9	15.9	17.5	14.3
	100.0 %	100.0 %	100.0 %	100.0 %

4. FAIR VALUE MEASUREMENTS

In accordance with the authoritative guidance, assets and liabilities recorded at fair value in the financial statements are categorized, for disclosure purposes, based upon whether the inputs used to determine their fair values are observable or unobservable. The authoritative guidance establishes a three-level value hierarchy for disclosure of fair value measurements that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of the fair value hierarchy under the FASB ASC 820 are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Sanford has the ability to access.

Level 2 Inputs to the valuation methodology include directly or indirectly observable inputs other than Level 1 inputs, such as quoted prices for similar instruments in active or inactive markets, quoted prices for identical instruments in inactive markets, or inputs that are observable or can be corroborated by observable market data. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and are related to the instruments that are supported by little or no market activity using pricing models, discounted cash flow methodologies, or similar valuation techniques.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Sanford's policy for recording transfers is at the end of the period for which the transfer happened. There were no transfers between levels during the years ended December 31, 2019 and 2018.

The following is a description of the valuation methodologies used for assets measured at fair value.

Financial assets include short-term investments, debt service funds and security deposits in other current assets, investments, and assets whose use is limited and are recorded at their estimated fair value. Fair values of debt and equity securities are based on quoted market prices, where available. Information is obtained from custodians of the financial instruments and their third-party pricing services to establish fair value, which generally uses quoted or other observable inputs for the determination of fair value. The information is reviewed, and for many instruments whose pricing inputs are readily observable in the market, the valuation methodology is accepted by market participants and involves little to no judgment. For instruments whose pricing inputs are less observable in the marketplace, inputs can be subjective in nature and involve uncertainties. Management uses this information to distribute the instruments among the three-level hierarchy.

Changes in the reported market values and returns are compared to relevant market indices to test the reasonableness of the reported fair values of the underlying debt and equity securities. This internal review of fair value methodology has not historically resulted in adjustment in the process obtained from the custodians.

Fair values of debt securities that do not trade on a regular basis in active markets but are priced using other observable inputs are classified as Level 2.

Fair value estimates for Level 1 and Level 2 equity securities are based on quoted market prices for actively traded equity securities or other market data for the same or comparable instruments and transactions in establishing the prices. Generally, Level 2 fixed income securities are valued based on quoted prices for similar instruments, including the assets held in the defined benefit plans as referenced in Note 12. There were no financial assets recorded at fair value classified as Level 3 as of December 31, 2019 and 2018.

Financial assets measured at fair value, as of December 31, are summarized in the following tables:

	2019		
	Level 1	Level 2	Total
Assets			
Money market funds	$ 147,337	$ -	$ 147,337
Certificates of deposit	-	36,571	36,571
Equity mutual and exchange traded funds	126,847	-	126,847
Mutual funds (related to deferred compensation)	150,571	-	150,571
Fixed income mutual and exchange traded funds	413,089	-	413,089
U.S. government securities	36,256	-	36,256
Government sponsored enterprise securities	-	51,395	51,395
Government sponsored enterprise mortgage backed securities	-	13,757	13,757
Corporate debt securities	-	625,249	625,249
Municipal bonds	-	330,015	330,015
Other	-	16,662	16,662
Total assets valued at fair value	$ 874,100	$ 1,073,649	1,947,749
Investments recorded at fair value based on net asset value			98,400
			$ 2,046,149
Assets reported as			
Short-term investments			$ 352,564
Investments			1,528,362
Assets whose use is limited			
Debt service funds and security deposits in other current assets			2,240
Deferred compensation funds			150,571
Affordable housing and other reserves			8,452
Affordable housing escrowed and other trusteed funds			2,617
Resident funds			1,343
			$ 2,046,149

	2018		
	Level 1	Level 2	Total
Assets			
Money market funds	$ 57,287	$ -	$ 57,287
Certificates of deposit	-	1,837	1,837
Equity mutual and exchange traded funds	84,393	-	84,393
Mutual funds (related to deferred compensation)	113,470	-	113,470
Fixed income mutual and exchange traded funds	318,839	-	318,839
U.S. government securities	16,469	-	16,469
Government sponsored enterprise securities	-	15,112	15,112
Government sponsored enterprise mortgage backed securities	-	14,448	14,448
Corporate debt securities	-	366,204	366,204
Municipal bonds	-	347,253	347,253
Other	-	15,582	15,582
Total assets valued at fair value	$ 590,458	$ 760,436	1,350,894
Investments recorded at fair value based on net asset value			77,645
			$ 1,428,539
Assets reported as			
Short-term investments			$ 85,028
Investments			1,227,667
Assets whose use is limited			
Debt service funds in other current assets			1,332
Deferred compensation funds			113,470
Affordable housing escrowed and other trusteed funds			1,042
			$ 1,428,539

The carrying value of contributions receivable and notes receivable approximates fair value.

Fixed rate long-term debt is carried at historical cost, and the fair value is determined by discounting future cash flows at current rates for the debt with similar risks and maturities, a Level 2 measurement. See fair value disclosed in Note 14.

A portion of Sanford’s investment portfolio is in alternative investments, which are not readily marketable and are valued at net asset value (NAV). Unless it is probable that all or a portion of the investment will be sold for an amount other than NAV, Sanford has concluded that the NAV approximates fair value. The calculation of NAV for certain alternative investment holdings use market valuation techniques that include operating performance, market, and cost approaches relying heavily on management assumptions and qualitative observations.

These alternative investments include domestic and global equities and real estate private equity funds. Domestic and global equities includes investments in certain domestic and global healthcare technologies and companies. Real estate investments include a diversified portfolio primarily focused on opportunities in the acquisition, development, redevelopment, operation, and management of real estate properties, primarily in the hospitality industry.

As of December 31, alternative investments recorded at NAV consisted of the following:

	NAV		Unfunded Commitments	
	2019	2018	2019	2018
Domestic and global equities	$ 73,755	$ 55,341	$ 9,308	$ 3,735
Real estate private equities	24,645	22,304	-	-
	$ 98,400	$ 77,645	$ 9,308	$ 3,735

There are limited provisions for Sanford to liquidate these alternative investments. In addition, there are additional unfunded commitments not disclosed above that are contingent upon the respective entity's successful completion of certain progress activities.

5. LIQUIDITY AND AVAILABILITY

As part of Sanford's cash management policy, cash and investments feature a high degree of safety and liquidity to support general expenditures and debt service within one year in the normal course of operations. Financial assets available within one year as of December 31 consisted of the following:

	2019	2018
Cash	$ 191,994	$ 109,306
Short-term investments	352,564	85,028
Accounts receivable, less allowances	684,307	557,208
Debt service funds in other current assets	1,742	1,332
Notes and contributions receivable in other current assets	22,693	23,697
Investments, less alternative investments	1,429,962	1,150,022
	$ 2,683,262	$ 1,926,593

Although Sanford has net assets with donor restrictions that are generally supported by liquid financial assets, the respective financial assets are also available for general expenditure within one year in the normal course of operations and accordingly have been included in the summary above. Financial assets such as assets whose use is limited and non-current notes and contributions receivable are not available for general expenditure and debt service within the next year and are not reflected in the amounts above.

As of December 31, 2019 and 2018, Sanford is in compliance with bond covenants as disclosed in Note 14.

6. INVESTMENT RETURN (LOSS)

The following schedule summarizes investment return (loss) and its classification in the consolidated statements of operations and changes in net assets for the years ended December 31:

	2019	2018
Without donor restrictions - other operating revenue		
Dividend and interest income	$ 32,723	$ 32,854
Without donor restrictions - non-operating income (expense)		
Dividend and interest income	32,248	24,752
Net realized gain (loss) on sales of investments	3,876	(4,056)
Unrealized gain (loss)	82,678	(54,556)
	118,802	(33,860)
With donor restrictions		
Dividend and interest income	3,336	2,739
Net realized gain on sales of investments	365	2,051
Unrealized gain (loss)	16,034	(9,391)
	19,735	(4,601)
	$ 171,260	$ (5,607)

7. PROPERTY AND EQUIPMENT

Property and equipment as of December 31 consisted of the following:

		2019		2018
Land and land improvements	$	516,255	$	239,935
Buildings		3,452,840		1,589,277
Building equipment		413,892		385,861
Movable equipment		1,471,250		1,124,906
Construction in process		107,829		59,983
		5,962,066		3,399,962
Accumulated depreciation		(2,937,070)		(1,638,368)
	$	3,024,996	$	1,761,594

8. INVESTMENT IN JOINT VENTURES

Sanford records investments in joint ventures using the equity method, which reflects the investment at cost, net of Sanford's share of earnings, losses and distributions. Earnings and losses are included in other non-operating expense. As of December 31, 2019 and 2018, investments in joint ventures totaled $38,614 and $45,298 and consisted of organizations in which Sanford's ownership interest ranges from 10% to 50%. The collective financial position of the joint ventures as of December 31 is approximately as follows:

		2019		2018
Total assets	$	135,436	$	134,262
Total operating revenues		88,751		117,950
Loss from operations		(2,247)		(115)

As a result of the business combination, Sanford Good Samaritan Community Health Services, LLC became wholly owned and therefore is no longer classified as a joint venture for the year ended December 31, 2019.

Sanford's share of net losses, new equity contributions, and distributions received from joint ventures are summarized for the years ended December 31 as follows:

		2019		2018
Net loss on investments in joint ventures	$	(2,271)	$	(1,118)
New equity contributions into joint ventures		3,284		5,599
Distributions received from joint ventures		1,177		1,006

9. CONTRIBUTIONS RECEIVABLE

Contributions are recorded at the time an unconditional promise to give is received and are discounted at rates ranging from 0.64% to 5.00%. Conditional promises to give are recognized only when the conditions on which they depend are substantially met.

Contributions receivable as of December 31 consisted of the following:

	2019	2018
Contributions maturities		
Within one year	$ 6,057	$ 7,642
One to five years	9,932	13,493
Thereafter	2,821	9,768
	18,810	30,903
Less present value discount and uncollectible allowance	(1,463)	(6,655)
	$ 17,347	$ 24,248
Contributions restrictions		
Without donor restrictions	$ 3,013	$ 5,073
With donor restrictions	14,334	19,175
	$ 17,347	$ 24,248

10. MEDICAL CLAIMS PAYABLE

As of December 31, 2019, the estimated medical claims payable of $92,207 includes $91,694 for current year claims and $513 for prior year claims. The estimated claims payable as of December 31, 2018 was $84,315, of which $68,282 has since been paid creating favorable prior year claims development of $15,520 as a result of lower utilization.

Claims activity, net of reinsurance, during the years ended December 31, was as follows:

	2019		
	Current Year Incurred Claims	Prior Year Incurred Claims	Total Incurred Claims
Beginning of year claims payable	$ -	$ (84,315)	$ (84,315)
Paid claims	553,229	68,282	621,511
Retrospective contract reserves	6,079	-	6,079
End of year claims payable	91,694	513	92,207
Total medical claims expense	$ 651,002	$ (15,520)	$ 635,482

	2018		
	Current Year Incurred Claims	Prior Year Incurred Claims	Total Incurred Claims
Beginning of year claims payable	$ -	$ (92,285)	$ (92,285)
Paid claims	516,575	80,261	596,836
Retrospective contract reserves	3,943	-	3,943
End of year claims payable	82,805	1,510	84,315
Total medical claims expense	$ 603,323	$ (10,514)	$ 592,809

11. OPERATING LEASES

Future payments due under operating leases are as follows:

Years ending December 31,		
2020	$	27,521
2021		19,641
2022		15,642
2023		8,914
2024		4,794
Thereafter		29,863
		106,375
Less present value discounts		(18,976)
	$	87,399

The weighted-average remaining lease term for operating leases is 6.6 years. Lease expense associated with operating leases was $28,419 and $36,499 for the years ended December 31, 2019 and 2018.

12. PENSION PLANS

DEFINED CONTRIBUTION RETIREMENT PLANS Sanford has defined contribution retirement plans that are available to all eligible employees who do not participate in a defined benefit pension plan. Employer contributions are based on a percentage of annual compensation and employee level of contributions. Employee and employer contributions are deposited with the plan trustee who invests the plan assets. Defined contribution retirement costs of $95,030 and $77,824 were recognized as part of salaries and benefits for the years ended December 31, 2019 and 2018.

DEFINED BENEFIT PENSION PLANS Sanford has defined benefit pension plans that provide benefits based on years of service and compensation (the “Master Plan and the “Bismarck Plan”). The plans are closed to new participants; however, each plan has active employees accruing benefits.

OBLIGATION AND FUNDED STATUS Defined benefit pension obligations and funded status are measured as of December 31, and changes for the years then ended are as follows:

	Master Plan		Bismarck Plan	
	2019	2018	2019	2018
Change in benefit obligation				
Benefit obligation, beginning of year	$ 203,627	$ 218,699	$ 121,628	$ 127,604
Service cost	1,189	1,385	1,167	1,375
Interest cost	8,521	8,264	5,153	4,943
Actuarial loss (gain)	24,387	(14,471)	17,662	(6,279)
Benefits paid	(10,693)	(10,250)	(5,961)	(6,015)
Benefit obligation, end of year	$ 227,031	$ 203,627	$ 139,649	$ 121,628
Change in plan assets				
Fair value of plan assets, beginning of year	$ 163,804	$ 170,393	$ 99,757	$ 107,569
Actual gain (loss) on plan assets	25,915	(5,579)	17,776	(5,397)
Employer contributions	9,240	9,240	3,900	3,600
Benefits paid	(10,693)	(10,250)	(5,961)	(6,015)
Fair value of plan assets, end of year	$ 188,266	$ 163,804	$ 115,472	$ 99,757
Funded status				
Benefit obligation in excess of plan assets	$ 38,765	$ 39,823	$ 24,177	$ 21,871
Amounts recognized in net assets without donor restrictions consisting of net actuarial loss	$ 63,732	$ 59,026	$ 16,574	$ 10,771
Accumulated benefit obligation	$ 223,465	$ 200,535	$ 133,507	$ 116,627
Weighted average of assumptions used to determine end of year obligations				
Discount rate	3.30 %	4.30 %	3.35 %	4.30 %
Rate of compensation increase	3.00 %	3.00 %	3.00 %	3.00 %

COMPONENTS OF NET PERIODIC PENSION COST

	Master Plan		Bismarck Plan	
	2019	2018	2019	2018
Service cost	$ 1,189	$ 1,385	$ 1,167	$ 1,375
Interest cost	8,521	8,264	5,153	4,943
Expected return on plan assets	(10,401)	(10,062)	(5,917)	(6,167)
Amortization of actuarial loss	4,167	5,110	-	-
Net periodic pension cost	$ 3,476	$ 4,697	$ 403	$ 151
Weighted average of assumptions used to determine net periodic cost				
Discount rate	4.30 %	4.20 %	4.30 %	4.20 %
Plan assets expected long-term rate of return	6.00 %	6.00 %	6.00 %	6.00 %
Rate of compensation increase	3.00 %	3.00 %	3.00 %	3.00 %

The above assumptions were established by working with an independent actuary.

PLAN ASSETS The pension plan weighted-average asset allocations by asset category as of December 31, was as follows:

	Master Plan		Bismarck Plan	
	2019	2018	2019	2018
Equity investments	34 %	30 %	33 %	30 %
Debt investments	63	66	67	70
Cash equivalents	3	4	-	-
	100 %	100 %	100 %	100 %

Sanford's policy is to maintain a balanced mix between debt and equity investments in order to maximize its long-term rate of return while producing cash flows required for benefit payments. The expected long-term rate of return for all plans is based on historical experience and management believes this will be an appropriate rate of return going forward.

Financial assets of the qualified plans were measured at fair value on a recurring basis as of December 31 and are summarized in the following tables by type of inputs (see Note 4) applicable to the fair value measurements:

	2019 - Master Plan			
	Level 1	Level 2	Level 3	Total
Money market funds	$ 4,830	$ -	$ -	$ 4,830
Certificates of deposit	-	807	-	807
Equity mutual and exchange traded funds	63,225	-	-	63,225
Fixed income mutual and exchange traded funds	27,846	-	-	27,846
U.S. government securities	9,555	-	-	9,555
Government sponsored enterprise securities	-	11,029	-	11,029
Government sponsored enterprise mortgage backed securities	-	4,716	-	4,716
Corporate debt securities	-	38,246	-	38,246
Municipal bonds	-	27,103	-	27,103
Accrued earnings	-	909	-	909
	$ 105,456	$ 82,810	$ -	$ 188,266

	2019 - Bismarck Plan			
	Level 1	Level 2	Level 3	Total
Money market funds	$ 382	$ -	$ -	$ 382
Equity mutual and exchange traded funds	37,907	-	-	37,907
Fixed income mutual and exchange traded funds	77,183	-	-	77,183
	$ 115,472	$ -	$ -	$ 115,472

	2018 - Master Plan			
	Level 1	Level 2	Level 3	Total
Money market funds	$ 6,239	$ -	$ -	$ 6,239
Certificates of deposit	-	759	-	759
Equity mutual and exchange traded funds	49,200	-	-	49,200
Fixed income mutual and exchange traded funds	23,922	-	-	23,922
U.S. government securities	8,011	-	-	8,011
Government sponsored enterprise securities	-	8,702	-	8,702
Government sponsored enterprise mortgage backed securities	-	4,027	-	4,027
Corporate debt securities	-	33,100	-	33,100
Municipal bonds	-	28,930	-	28,930
Accrued earnings	-	914	-	914
	$ 87,372	$ 76,432	$ -	$ 163,804

	2018 - Bismarck Plan			
	Level 1	Level 2	Level 3	Total
Money market funds	$ 486	$ -	$ -	$ 486
Equity mutual and exchange traded funds	29,537	-	-	29,537
Fixed income mutual and exchange traded funds	69,734	-	-	69,734
	$ 99,757	$ -	$ -	$ 99,757

Sanford expects to recognize $7,039 of amortization of net actuarial loss during 2020.

BENEFIT PAYMENTS The following benefits are expected to be paid:

	Master Plan	Bismarck Plan
Years ending December 31,		
2020	$ 11,520	$ 6,305
2021	12,012	6,545
2022	12,487	6,815
2023	12,873	7,133
2024	13,144	7,469
Thereafter	67,154	40,498
	$ 129,190	$ 74,765

The expected contributions to be made for the defined benefit plans for the year ending December 31, 2020 are $9,240 for the Master Plan and $3,300 for the Bismarck Plan.

13. RESIDENTIAL HOUSING DEPOSITS

Residential housing deposits as of December 31 consisted of the following:

	2019
Refundable portion	$ 123,291
Non-refundable portion	20,058
Total residential housing deposits	143,349
Less current portion	(15,180)
	$ 128,169

14. LONG-TERM DEBT

Long-term debt as of December 31 consisted of the following:

	2019	2018
Bonds payable	$ 1,480,144	$ 850,690
Notes payable	21,081	27,602
Affordable housing	37,369	-
Finance lease obligations	3,964	5,091
Net unamortized bond premiums and deferred financing costs	89,997	30,000
Total debt	1,632,555	913,383
Less current maturities	(64,251)	(51,096)
	$ 1,568,304	$ 862,287

Bonds payable as of December 31, 2019 consisted of the following:

	Interest Structure	Interest Rate	Final Maturity	Outstanding Principal
Obligated Group				
Series 1997	Variable	1.99%	November 2027	$ 3,550
Series 2000	Variable	1.99%	November 2025	1,765
Series 2001B	Variable	1.99%	November 2020	4,220
Series 2004B	Variable	1.50%	November 2034	13,710
Series 2010	Fixed	4.71%	December 2025	1,942
Series 2011	Fixed	5.00% to 6.25%	November 2031	82,055
Series 2012A	Fixed	2.74%	September 2024	19,325
Series 2012B	Fixed	2.88%	September 2031	27,495
Series 2012C	Fixed	3.46%	September 2024	3,090
Series 2012D	Fixed	2.64%	September 2032	32,150
Series 2012E	Fixed	4.00% to 5.00%	November 2042	120,000
Series 2014A	Fixed	4.00%	November 2034	52,000
Series 2014B	Fixed	4.00% to 5.00%	November 2044	172,685
Series 2015	Fixed	4.00% to 5.00%	November 2045	163,505
Series 2016	Fixed	1.92%	November 2026	35,000
Series 2019A	Fixed	4.00% to 5.00%	November 2049	352,375
Series 2019B	Fixed	2.08% to 3.85%	November 2049	384,600
North Country Senior Living				
Series 2008	Fixed	5.15%	December 2038	4,266
Series 2009	Fixed	5.15%	December 2038	6,411
				$ 1,480,144

Notes payable as of December 31, 2019 consisted of the following:

	Interest Structure	Interest Rates	Final Maturity		Outstanding Principal
Obligated Group					
Bank notes	Fixed	3.00% to 5.60%	March 2021	$	3,026
Other	Fixed	0.00% to 2.85%	June 2031		16,246
Non-Obligated group					
Bank notes	Fixed	6.15%	October 2043		1,809
				$	21,081

Fixed rate long-term debt is carried at historical cost, and the fair value is determined by discounting future cash flows at current rates for the debt with similar risks and maturities.

All note obligations related to bond issues are secured by security interests in gross receipts excluding gifts, grants, bequests, donations, and contributions which are designated as to purpose.

During 2019, Sanford obtained a bridge loan to advance refund outstanding bonds of the Society under federal income tax guidance for acquisition financing. In November 2019, Series 2019A tax-exempt bonds and Series 2019B taxable bonds were issued in the aggregate principal amount of $736,975 to refinance the bridge loan and other debt of Sanford. The refundings resulted in a $77,710 loss on extinguishment of debt reflected in other non-operating income (expense) in the statements of operations.

The Obligated Group has obtained liquidity facilities related to $945 of the Series 1997 Note Obligations and the Series 2001B Note Obligation in the form of Standby Bond Purchase Agreements with The First National Bank in Sioux Falls. Under the Standby Bond Purchase Agreements, The First National Bank in Sioux Falls is required, subject to certain conditions, to purchase the Series 1997 and Series 2001B Bonds that have been tendered for purchase and not remarketed, unless the Obligated Group has provided sufficient funds to pay the purchase price. The Standby Bond Purchase Agreements are renewable annually within 45 days of issuance of the audited consolidated financial statements and will expire November 1, 2021. The Obligated Group is providing its own internal liquidity support for $2,605 of the Series 1997 Note Obligations and the Series 2000 Note Obligation in the event respective bonds are tendered for purchase and not remarketed. Principal in the amount of $6,953 and $8,483 as of December 31, 2019 and 2018 related to these obligations has been classified as a current maturity of long-term debt.

Payment of the principal of the Series 2004B Note Obligations plus up to 60 days interest are secured by an irrevocable direct payment letter of credit, issued by U.S. Bank National Association, at the request of the Obligated Group. Draws on the letter of credit are due 367 days after the draw. The letter of credit expires November 1, 2024.

Affordable housing primarily includes mortgages financed or insured by the U.S. Department of Housing and Urban Development.

Debt agreements contain various restrictive covenants related to profitability, financial position and additional indebtedness, among others, as defined in the agreements. Sanford was in compliance with financial covenants as of December 31, 2019 and 2018.

Scheduled principal payments of long-term debt as of December 31, 2019 are as follows:

	Bonds Payable	Notes Payable	Affordable Housing	Lease Obligations	Total
Years ending December 31,					
2020	$ 49,763	$ 4,727	$ 698	$ 1,351	$ 56,539
2021	49,841	2,455	907	1,392	54,595
2022	51,570	2,327	938	1,434	56,269
2023	53,328	2,334	970	727	57,359
2024	54,359	2,341	1,002	-	57,702
Thereafter	1,221,283	6,897	32,854	-	1,261,034
Less interest	-	-	-	(940)	(940)
	$ 1,480,144	$ 21,081	$ 37,369	$ 3,964	$ 1,542,558

15. COMMITMENTS AND CONTINGENCIES

PROFESSIONAL LIABILITY Sanford carries professional and general liability insurance through a combination of self-insured retention and commercial insurance carriers. The current claims made policy provides for a self-insured retention for both professional and general liability with a $14,000 annual aggregate as of December 31, 2019.

Excess coverage of $80,000 is provided by various carriers and layers. The excess coverage provides a dedicated excess limit of coverage for professional and general liability claims from other liability coverage, such as workers' compensation, aviation, auto and ambulance liability, all of which are covered by the excess insurance program.

WORKERS' COMPENSATION Sanford has limited its losses to a maximum of $1,000 of any one workers' compensation occurrence. Amounts accrued as current portion of other liabilities and other non-current liabilities and charged to expense include plan expenses and estimated losses of claims incurred that will be paid based on prior claims experience. North Dakota Sanford sites are insured through the state operated North Dakota Workforce Safety and Insurance program.

GROUP HEALTH INSURANCE BENEFIT For eligible employees who elect to participate, Sanford provides a self-funded insurance program for health benefits. Sanford accrues expense equal to its portion of estimated plan liabilities and has limited its losses on individual claims to $1,000 per member per year through a stop-loss reinsurance agreement.

GUARANTEES The Members of the Obligated Group unconditionally guarantee the principal and interest payments of a loan made to a non-owned nonprofit organization in which Sanford leases facilities from. The guarantee is secured by mortgages on real and personal property of the nonprofit organization. The principal amount of the guaranteed indebtedness was $1,475 as of December 31, 2019. No liability related to this guarantee have been recorded on Sanford's consolidated financial statements as of December 31, 2019.

OTHER COMMITMENTS AND CONTINGENCIES Under the laws of the states of South Dakota, North Dakota, and Minnesota, Sanford is required to maintain a minimum net worth based on the Company Action Level of Risk-Based Capital for the fully insured business lines. Sanford has met the minimum net worth requirements.

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations can be subject to the government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Management believes that Sanford is in substantial compliance with current laws and regulations.

16. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions include net assets subject to the passage of time, expenditures for specific purposes, and net assets to be held in perpetuity, which consisted of the following as of December 31:

	2019	2018
Net assets subject to the passage of time		
Affordable housing capital advances	$ 37,328	$ -
Net assets subject to expenditures for specific purposes		
Women's health	63,663	64,244
Children's fitness	11,352	13,699
Senior care	14,893	-
Programs, services and equipment	99,074	83,183
	188,982	161,126
Net assets to be held in perpetuity		
Endowments, income restricted by donors	104,064	79,996
Endowments, income not restricted by donors	5,742	4,850
	109,806	84,846
Net assets with donor restrictions	$ 336,116	$ 245,972

Affordable housing capital advances bear no interest and repayment is not required as long as the applicable affordable housing projects remain available for very low-income elderly persons for a stated period (principally 40 years).

Changes in net assets with donor restrictions that are to be held in perpetuity for the years ended December 31 were as follows:

	2019	2018
Beginning of year	$ 84,846	$ 62,330
Contributions	4,896	22,586
Investment loss and other	(268)	(70)
Contributions from business combination	20,332	-
End of year	$ 109,806	$ 84,846

Available endowment earnings are appropriated in accordance with donor restrictions. There were no deficiencies reported in net assets with donor restrictions as of December 31, 2019.

Net assets are released from restrictions by incurring expenses or acquiring property and equipment that meet the requirements of donor restrictions. Net assets released from restrictions for the years ended December 31 for the various purposes are as follows:

	2019	2018
Operating expenses	$ 19,374	$ 12,879
Property and equipment	5,058	12,824
	$ 24,432	$ 25,703

17. FUNCTIONAL EXPENSES

Sanford provides general healthcare and senior care services to meet these needs of individuals. The statements of operations reports expenses based on natural classification that are attributable to more than one program or support function. In order to present expenses on a functional basis, each department's purpose is evaluated and analyzed, and expenses are attributed to the respective function accordingly. The costs of providing program and other activities on a functional basis for the years ended December 31, are as follows:

	2019					
	Healthcare	Senior Care	Health Plan	Research and Other	General	Total
Salaries and benefits	$ 2,337,078	$ 563,744	$ 24,991	$ 55,711	$ 220,616	$ 3,202,140
Supplies	900,777	77,367	2,333	35,161	10,468	1,026,106
Purchased services and other	467,530	188,686	47,890	38,883	157,203	900,192
Medical claims	-	-	635,482	-	-	635,482
Depreciation and amortization	137,887	70,846	177	12,415	23,646	244,971
Interest	36,886	26,646	143	285	945	64,905
Total	$ 3,880,158	$ 927,289	$ 711,016	$ 142,455	$ 412,878	$ 6,073,796

	2018					
	Healthcare	Senior Care	Health Plan	Research and Other	General	Total
Salaries and benefits	$ 2,144,505	$ 20,202	$ 21,506	$ 48,126	$ 162,324	$ 2,396,663
Supplies	810,790	3,065	250	31,258	7,703	853,066
Purchased services and other	404,142	5,110	48,034	28,787	110,959	597,032
Medical claims	-	-	592,809	-	-	592,809
Depreciation and amortization	137,962	1,982	173	5,623	22,429	168,169
Interest	36,030	1,339	-	-	1,067	38,436
Total	$ 3,533,429	$ 31,698	$ 662,772	$ 113,794	$ 304,482	$ 4,646,175

Healthcare, senior care, health plan, and research and other are program services. Other program services includes weight management retail stores, research, and other health related services. Fundraising expenses are included in general in the above summary.

18. BUSINESS COMBINATION

On January 1, 2019, Sanford became the sole corporate member of the Society through an affiliation agreement and as a result, recognized the fair value of the Society's net assets during the year ended December 31, 2019 as inherent contributions from business combination. In valuing the respective assets and liabilities, fair values were based on independent valuation assessments.

The fair value of the Society's assets acquired and liabilities assumed as of January 1, 2019 were as follows:

Cash and investments	$	443,052
Accounts receivable, less allowances		97,086
Assets whose use is limited		97,001
Other assets		67,471
Property and equipment - net		1,291,955
Current liabilities		(171,867)
Other liabilities		(158,749)
Debt		(778,132)
	$	887,817

For the year ended December 31, 2019, the Society had a loss from operations of $21,025 and total operating revenues of $1,061,652 in the accompanying consolidated statements of operations.

The following unaudited pro forma financial information presents the combined results of operations of Sanford and the Society for the years ended December 31, 2019 and 2018 as though the business combination transaction had occurred as of January 1, 2018. For the year ended as of December 31, 2019, the contributions from business combination were excluded from presentation to ensure comparability year over year. The full-year financial information for 2018 for the Society is derived from the audited consolidated financial statements for the year ended December 31, 2018. The pro forma financial information is not necessarily indicative of the results of operations that would have occurred if the Society were consolidated into Sanford during 2018.

	Actual 2019	Pro forma 2018
Total operating revenues	$ 6,228,977	$ 5,881,825
Excess of revenues over expenses attributable to controlling interest	143,445	71,556

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SUPPLEMENTAL CONSOLIDATING INFORMATION

SANFORD

CONSOLIDATING SCHEDULE OF BALANCE SHEETS
AS OF DECEMBER 31, 2019
(In thousands)

	Obligated Group	North Country Senior Living	Affordable Housing	Other	Eliminations	Total
ASSETS						
CURRENT ASSETS						
Cash	$ 98,689	$ 1,550	$ 2,621	$ 89,134	$ -	$ 191,994
Short-term investments	297,824	-	-	54,740	-	352,564
Accounts receivable, less allowances	655,760	-	71	79,166	(50,690)	684,307
Inventories	85,899	12	47	19,699	-	105,657
Other current assets	76,211	16	669	5,394	(1,504)	80,786
Total current assets	1,214,383	1,578	3,408	248,133	(52,194)	1,415,308
INVESTMENTS	1,252,855	-	-	275,507	-	1,528,362
ASSETS WHOSE USE IS LIMITED	153,142	-	8,663	1,178	-	162,983
PROPERTY AND EQUIPMENT — NET	2,792,226	6,503	88,964	137,303	-	3,024,996
OTHER ASSETS						
Right of use asset	78,298	-	-	8,700	-	86,998
Investment in joint ventures	47,046	-	-	195	(8,627)	38,614
Non-operating property	98,722	-	-	28,596	-	127,318
Goodwill and intangible assets	79,375	-	-	3,758	-	83,133
Notes receivable	48,688	-	-	1,302	(10,231)	39,759
Other assets	52,002	-	382	18,696	(902)	70,178
Total other assets	404,131	-	382	61,247	(19,760)	446,000
TOTAL ASSETS	$ 5,816,737	$ 8,081	$ 101,417	$ 723,368	$ (71,954)	$ 6,577,649

See notes to consolidated financial statements.

SANFORD

CONSOLIDATING SCHEDULE OF BALANCE SHEETS
AS OF DECEMBER 31, 2019
(In thousands)

	Obligated Group	North Country Senior Living	Affordable Housing	Other	Eliminations	Total
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Current maturities of long-term debt	$ 63,122	$ 322	$ 782	$ 25	$ -	$ 64,251
Current portion of other liabilities	65,180	-	-	13,412	-	78,592
Accounts payable	131,468	34	7,286	17,332	(6,705)	149,415
Accrued compensation and benefits	291,201	-	195	6,660	(13,020)	285,036
Medical claims payable	-	-	-	129,304	(37,097)	92,207
Other accruals	63,698	8	2,894	30,478	(1,629)	95,449
Total current liabilities	614,669	364	11,157	197,211	(58,451)	764,950
OTHER LIABILITIES						
Operating leases	53,465	-	-	6,052	-	59,517
Deferred compensation	173,165	-	-	-	-	173,165
Defined benefit pension	62,942	-	-	-	-	62,942
Residential housing deposits	127,965	-	-	204	-	128,169
Other non-current liabilities	64,554	-	4,920	36,719	(4,876)	101,317
Total other liabilities	482,091	-	4,920	42,975	(4,876)	525,110
LONG-TERM DEBT, LESS CURRENT MATURITIES	1,521,618	10,197	34,845	1,644	-	1,568,304
Total liabilities	2,618,378	10,561	50,922	241,830	(63,327)	2,858,364
COMMITMENTS AND CONTINGENCIES (NOTE 15)						
NET ASSETS						
Without donor restrictions - controlling interest	2,901,693	(2,480)	(10,391)	478,627	(8,627)	3,358,822
Without donor restrictions - non-controlling interest	-	-	22,670	1,677	-	24,347
With donor restrictions	296,666	-	38,216	1,234	-	336,116
Total net assets	3,198,359	(2,480)	50,495	481,538	(8,627)	3,719,285
TOTAL LIABILITIES AND NET ASSETS	$ 5,816,737	$ 8,081	$ 101,417	$ 723,368	$ (71,954)	$ 6,577,649

See notes to consolidated financial statements.

SANFORD

CONSOLIDATING SCHEDULE OF BALANCE SHEETS
AS OF DECEMBER 31, 2018
(In thousands)

	Obligated Group	North Country Senior Living	Sanford Living Center	Other	Eliminations	Total
ASSETS						
CURRENT ASSETS						
Cash	$ 32,724	$ 411	$ 148	$ 76,023	$ -	$ 109,306
Short-term investments	40,524	-	-	44,504	-	85,028
Accounts receivable, less allowances	556,521	-	1,080	40,066	(40,459)	557,208
Inventories	84,903	13	-	17,874	-	102,790
Other current assets	66,299	5	-	3,872	-	70,176
Total current assets	780,971	429	1,228	182,339	(40,459)	924,508
INVESTMENTS	1,014,285	-	-	213,382	-	1,227,667
ASSETS WHOSE USE IS LIMITED	113,469	-	-	1,043	-	114,512
PROPERTY AND EQUIPMENT — NET	1,676,116	7,018	2,621	75,839	-	1,761,594
OTHER ASSETS						
Investment in joint ventures	40,309	-	10,964	2,652	(8,627)	45,298
Non-operating property	60,499	-	10,320	30,285	-	101,104
Goodwill and intangible assets	53,676	-	-	3,577	-	57,253
Notes receivable	34,806	-	-	528	-	35,334
Other assets	39,599	-	-	23,696	-	63,295
Total other assets	228,889	-	21,284	60,738	(8,627)	302,284
TOTAL ASSETS	$ 3,813,730	$ 7,447	$ 25,133	$ 533,341	$ (49,086)	$ 4,330,565

See notes to consolidated financial statements.

SANFORD

CONSOLIDATING SCHEDULE OF BALANCE SHEETS
AS OF DECEMBER 31, 2018
(In thousands)

	Obligated Group	North Country Senior Living	Sanford Living Center	Other	Eliminations	Total
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Current maturities of long-term debt	$ 49,354	$ 350	$ 1,369	$ 23	$ -	$ 51,096
Current portion of other liabilities	31,830	-	-	-	-	31,830
Accounts payable	91,083	9	17	5,121	-	96,230
Accrued compensation and benefits	215,142	-	-	3,796	(11,938)	207,000
Medical claims payable	-	-	-	112,836	(28,521)	84,315
Other accruals	21,567	-	97	21,132	-	42,796
Total current liabilities	408,976	359	1,483	142,908	(40,459)	513,267
OTHER LIABILITIES						
Deferred compensation	134,513	-	-	-	-	134,513
Defined benefit pension	61,694	-	-	-	-	61,694
Other non-current liabilities	58,164	-	-	19,072	-	77,236
Total other liabilities	254,371	-	-	19,072	-	273,443
LONG-TERM DEBT, LESS CURRENT MATURITIES	838,928	10,476	11,213	1,670	-	862,287
Total liabilities	1,502,275	10,835	12,696	163,650	(40,459)	1,648,997
COMMITMENTS AND CONTINGENCIES (NOTE 15)						
NET ASSETS						
Without donor restrictions - controlling interest	2,069,602	(3,388)	12,437	365,572	(8,627)	2,435,596
With donor restrictions	241,853	-	-	4,119	-	245,972
Total net assets	2,311,455	(3,388)	12,437	369,691	(8,627)	2,681,568
TOTAL LIABILITIES AND NET ASSETS	$ 3,813,730	$ 7,447	$ 25,133	$ 533,341	$ (49,086)	$ 4,330,565

See notes to consolidated financial statements.

SANFORD

CONSOLIDATING SCHEDULE OF STATEMENTS OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2019
(In thousands)

	Obligated Group	North Country Senior Living	Affordable Housing	Other	Eliminations	Total
OPERATING REVENUES						
Net patient revenue	$ 3,767,997	$ -	$ -	$ 116,330	$ (281,608)	$ 3,602,719
Net resident revenue	788,753	-	289	48,029	(4,085)	832,986
Premium revenue	-	-	-	990,388	(10,424)	979,964
Other operating revenue	708,180	3,703	14,088	102,185	(14,848)	813,308
Total operating revenues	5,264,930	3,703	14,377	1,256,932	(310,965)	6,228,977
OPERATING EXPENSES						
Salaries and benefits	3,048,331	2,195	3,106	168,728	(20,220)	3,202,140
Supplies	960,934	273	716	64,878	(695)	1,026,106
Purchased services and other	760,687	649	5,692	138,021	(4,857)	900,192
Medical claims	-	-	-	920,675	(285,193)	635,482
Depreciation and amortization	230,544	602	4,509	9,316	-	244,971
Interest	59,559	586	1,743	3,017	-	64,905
Total operating expenses	5,060,055	4,305	15,766	1,304,635	(310,965)	6,073,796
INCOME (LOSS) FROM OPERATIONS	204,875	(602)	(1,389)	(47,703)	-	155,181
NON-OPERATING INCOME (EXPENSE)						
Investment return (loss)	89,262	(6)	20	29,526	-	118,802
Contributions from business combination	744,482	-	(4,946)	45,696	-	785,232
Loss on extinguishment of debt	(76,731)	-	-	(979)	-	(77,710)
Other expenses	(42,713)	-	-	(12,678)	-	(55,391)
Net non-operating income (expense)	714,300	(6)	(4,926)	61,565	-	770,933
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	919,175	(608)	(6,315)	13,862	-	926,114
Plus deficiency of revenues over expenses attributable to non-controlling interest	-	-	1,941	622	-	2,563
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES ATTRIBUTABLE TO CONTROLLING INTEREST	919,175	(608)	(4,374)	14,484	-	928,677
Net assets released from restrictions for acquisitions of property and equipment	4,998	-	-	60	-	5,058
Pension plan related changes	(10,509)	-	-	-	-	(10,509)
Transfers	(81,573)	1,516	(6,017)	86,074	-	-
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS - CONTROLLING INTEREST	$ 832,091	$ 908	$ (10,391)	$ 100,618	$ -	$ 923,226

See notes to consolidated financial statements.

SANFORD

CONSOLIDATING SCHEDULE OF STATEMENTS OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2018
(In thousands)

	Obligated Group	North Country Senior Living	Sanford Living Center	Other	Eliminations	Total
OPERATING REVENUES						
Net patient revenue	$ 3,554,988	$ -	$ -	$ 73,379	$ (255,025)	$ 3,373,342
Net resident revenue	30,274	-	-	-	-	30,274
Premium revenue	-	-	-	915,077	-	915,077
Other operating revenue	415,374	3,371	-	94,866	(13,220)	500,391
Total operating revenues	4,000,636	3,371	-	1,083,322	(268,245)	4,819,084
OPERATING EXPENSES						
Salaries and benefits	2,309,614	1,936	-	95,593	(10,480)	2,396,663
Supplies	796,929	270	12	56,012	(157)	853,066
Purchased services and other	499,319	599	30	99,667	(2,583)	597,032
Medical claims	-	-	-	847,834	(255,025)	592,809
Depreciation and amortization	159,823	594	188	7,564	-	168,169
Interest	37,823	472	17	124	-	38,436
Total operating expenses	3,803,508	3,871	247	1,106,794	(268,245)	4,646,175
INCOME (LOSS) FROM OPERATIONS	197,128	(500)	(247)	(23,472)	-	172,909
NON-OPERATING (EXPENSE) INCOME						
Investment loss	(33,249)	(3)	-	(608)	-	(33,860)
Other (expense) income	(43,351)	-	218	10,202	-	(32,931)
Net non-operating (expense) income	(76,600)	(3)	218	9,594	-	(66,791)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES ATTRIBUTABLE TO CONTROLLING INTEREST	120,528	(503)	(29)	(13,878)	-	106,118
Net assets released from restrictions for acquisitions of property and equipment	7,721	-	-	5,103	-	12,824
Pension plan related changes	4,798	-	-	-	-	4,798
Transfers	(54,832)	546	3,857	50,429	-	-
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS - CONTROLLING INTEREST	$ 78,215	$ 43	$ 3,828	$ 41,654	$ -	$ 123,740

See notes to consolidated financial statements.

1. OBLIGATED GROUP

Sanford and certain of its wholly owned entities have entered into a first amended and restated Master Trust Indenture (MTI) dated November 1, 2019. Members of the Obligated Group are jointly and severally obligated for the debt issued and guaranteed under the MTI. Sanford, as Obligated Group Agent, together with the following are members of the Obligated Group as of December 31, 2019:

Sanford Health
Sanford North
Sanford West
Sanford Health of Northern Minnesota
Sanford Medical Center
Sanford Medical Center Fargo
Sanford Bismarck
Sanford Clinic
Sanford Clinic North
Sanford Health Network
Sanford Health Network North
Sanford Home Health
Sanford Living Centers
Sanford Health Foundation
Sanford Health Foundation North
Sanford Health Foundation West
Sanford Health Foundation of Northern Minnesota
The Evangelical Lutheran Good Samaritan Foundation
The Evangelical Lutheran Good Samaritan Society

2. BASIS OF PRESENTATION

The consolidating schedules of balance sheets and statements of operations are prepared on a basis of accounting consistent with the audited consolidated financial statements, and are presented for additional analysis of various transactions within the overall organization. The amounts presented for the Obligated Group do not include the Parent’s interests in controlled entities on a consolidated basis.

As of December 31, 2019 and 2018, investment in joint ventures of the Obligated Group included $8,627 of net assets of wholly owned subsidiaries of Sanford. All material intercompany balances and transactions have been eliminated for consolidating purposes.

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