

Exhibit 8-A

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



Consolidated Financial Statements and
Supplemental Consolidating Information as of and
for the Years Ended December 31, 2021 and 2020,
and Independent Auditor's Report

SANFORD

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	2-3
CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020	
Consolidated Balance Sheets	4-5
Consolidated Statements of Operations	6
Consolidated Statements of Changes in Net Assets	7
Consolidated Statements of Cash Flows	8-9
Notes to Consolidated Financial Statements	10-30
SUPPLEMENTAL CONSOLIDATING INFORMATION AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020	
Consolidating Schedule of Balance Sheets	32-35
Consolidating Schedule of Statements of Operations	36-37
Notes to Consolidating Schedules	38

INDEPENDENT AUDITOR'S REPORT

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

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Sanford as of December 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Sanford and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional

omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Sanford's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sanford's ability to continue as a going concern for a reasonable period of time.

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

Report on Supplemental Schedules

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules listed in the table of contents on pages 32-38 are presented for the purpose of additional analysis and are not a required part of the 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 financial statements. Such schedules have been subjected to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such schedules 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 GAAS. In our opinion, such schedules are fairly stated in all material respects in relation to the financial statements as a whole.

Deloitte & Touche LLP

March 31, 2022

SANFORD

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2021 AND 2020
(In thousands)

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash	\$ 272,385	\$ 370,671
Short-term investments	323,914	292,527
Accounts receivable, less allowances	724,239	679,452
Inventories	129,782	128,593
Other current assets	88,740	79,330
Total current assets	1,539,060	1,550,573
ASSETS HELD FOR SALE	84,917	159,769
INVESTMENTS	2,156,085	1,752,701
ASSETS WHOSE USE IS LIMITED	309,621	181,956
PROPERTY AND EQUIPMENT — NET	2,887,779	2,903,949
OTHER ASSETS		
Right of use asset	75,304	72,530
Investment in joint ventures	44,998	41,064
Non-operating property	153,033	131,951
Goodwill and intangible assets	84,764	84,863
Notes receivable	36,695	39,235
Other assets	59,925	63,982
Total other assets	454,719	433,625
 TOTAL ASSETS	 \$ 7,432,181	 \$ 6,982,573

See notes to consolidated financial statements

SANFORD

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2021 AND 2020
(In thousands)

	2021	2020
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 67,783	\$ 63,390
Current portion of other liabilities	144,444	75,283
Accounts payable	160,662	133,559
Accrued compensation and benefits	320,725	298,524
Medical claims payable	96,144	84,323
Other accruals and deferred revenue	222,957	192,819
Total current liabilities	1,012,715	847,898
LIABILITIES HELD FOR SALE	48,243	54,165
OTHER LIABILITIES		
Operating leases	58,321	55,182
Deferred compensation	191,152	177,026
Defined benefit pension	23,290	66,543
Residential housing deposits	124,026	131,306
Other non-current liabilities	131,226	117,337
Total other liabilities	528,015	547,394
LONG-TERM DEBT, LESS CURRENT MATURITIES	1,534,072	1,473,244
Total liabilities	3,123,045	2,922,701
COMMITMENTS AND CONTINGENCIES (NOTE 15)		
NET ASSETS		
Without donor restrictions - controlling interest	3,957,984	3,687,233
Without donor restrictions - non-controlling interest	24,136	26,159
With donor restrictions	327,016	346,480
Total net assets	4,309,136	4,059,872
TOTAL LIABILITIES AND NET ASSETS	\$ 7,432,181	\$ 6,982,573

See notes to consolidated financial statements

SANFORD

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(In thousands)

	2021	2020
OPERATING REVENUES		
Net patient revenue	\$ 4,115,069	\$ 3,611,525
Net resident revenue	766,947	809,376
Premium revenue	1,149,584	1,067,439
Other operating revenue	1,107,143	1,124,277
Total operating revenues	7,138,743	6,612,617
OPERATING EXPENSES		
Salaries and benefits	3,503,522	3,340,096
Supplies	1,204,491	1,083,045
Purchased services and other	1,019,141	900,703
Medical claims	741,606	676,541
Depreciation and amortization	250,545	243,248
Interest	51,815	57,560
Total operating expenses	6,771,120	6,301,193
INCOME FROM OPERATIONS	367,623	311,424
NON-OPERATING (EXPENSE) INCOME		
Investment return	11,471	87,986
Loss on extinguishment of debt	(415)	(5,163)
Other expenses	(31,324)	(32,537)
Net non-operating (expense) income	(20,268)	50,286
EXCESS OF REVENUES OVER EXPENSES FROM CONTINUING OPERATIONS	347,355	361,710
Loss from discontinued operations	(107,124)	(25,563)
Plus deficiency of revenues over expenses attributable to non-controlling interest	2,033	1,730
EXCESS OF REVENUES OVER EXPENSES ATTRIBUTABLE TO CONTROLLING INTEREST	\$ 242,264	\$ 337,877

See notes to consolidated financial statements

SANFORD

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In thousands)

	<u>2021</u>	<u>2020</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS - CONTROLLING INTEREST		
Excess of revenues over expenses attributable to controlling interest	\$ 242,264	\$ 337,877
Net assets released from restrictions for acquisition of property and equipment	3,561	2,834
Pension plan related changes	26,704	(12,300)
Other changes in net assets	<u>(1,778)</u>	<u>-</u>
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS - CONTROLLING INTEREST	270,751	328,411
NET ASSETS WITHOUT DONOR RESTRICTIONS - NON-CONTROLLING INTEREST		
Deficiency of revenues over expenses	(2,033)	(1,730)
Contributions from non-controlling interests	<u>10</u>	<u>3,542</u>
(DECREASE) INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS - NON-CONTROLLING INTEREST	(2,023)	1,812
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	16,550	15,310
Investment return and other	22,588	13,535
Net assets released from restrictions	<u>(58,602)</u>	<u>(18,481)</u>
(DECREASE) INCREASE IN NET ASSETS WITH DONOR RESTRICTIONS	(19,464)	10,364
INCREASE IN NET ASSETS	<u>249,264</u>	<u>340,587</u>
NET ASSETS — BEGINNING OF YEAR	4,059,872	3,719,285
NET ASSETS — END OF YEAR	<u>\$ 4,309,136</u>	<u>\$ 4,059,872</u>

See notes to consolidated financial statements

SANFORD

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In thousands)

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 249,264	\$ 340,587
Decrease (increase) in net assets from discontinued operations	<u>68,930</u>	<u>(20,414)</u>
Increase in net assets from continuing operations	318,194	320,173
Adjustments to reconcile increase in net assets from continuing operations to cash flows from continuing operating activities		
Net realized and unrealized market gain on investments	(2,009)	(68,196)
Depreciation and amortization	250,545	243,248
Pension plan related changes	(26,704)	12,300
Loss on extinguishment of debt	415	5,163
Contributions into non-controlling interest	(11)	(621)
Contributions restricted for long-lived purposes	(6,844)	(7,225)
Other changes in net assets	84,883	73,337
Changes in other operating elements		
Accounts receivable and other assets	(51,719)	(42,000)
Accounts payable and other current liabilities	146,624	75,675
Deferred compensation liability	14,126	3,861
Other liabilities	<u>(15,209)</u>	<u>15,532</u>
Cash flows from continuing operating activities	712,291	631,247
Cash flows used in discontinued operating activities	<u>(68,583)</u>	<u>(19,329)</u>
Cash flows from operating activities	<u>643,708</u>	<u>611,918</u>
CASH FLOWS USED IN INVESTING ACTIVITIES		
Acquisition of property and equipment	(259,431)	(222,524)
Proceeds from sale of property and equipment	7,076	915
Purchases of investments and deferred compensation assets	(759,906)	(603,945)
Proceeds from sale of investments and deferred compensation assets	314,163	481,112
Decrease (increase) in other assets	<u>(4,469)</u>	<u>(13,220)</u>
Cash flows used in continuing investing activities	(702,567)	(357,662)
Cash flows used in discontinued investing activities	<u>2,521</u>	<u>(19,937)</u>
Cash flows used in investing activities	<u>\$ (700,046)</u>	<u>\$ (377,599)</u>

(Continued)

SANFORD

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In thousands)

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Proceeds from issuance of long-term debt	\$ 259,845	\$ 79,272
Extinguishment of long-term debt	(130,017)	(82,055)
Advance refunding escrows	-	(5,056)
Repayment of long-term debt	(51,732)	(50,079)
Net decrease of bond discounts, premiums and deferred financing costs	(13,290)	(5,869)
Proceeds from residential housing deposits and annuities issued	15,037	20,199
Refunds of residential housing deposits	(15,809)	(13,411)
Contributions into non-controlling interest	11	621
Proceeds from contributions restricted for long-lived purposes	6,844	7,225
Cash flows from (used in) continuing financing activities	70,889	(49,153)
Cash flows used in discontinued financing activities	(673)	(3,687)
Cash flows from (used in) financing activities	<u>70,216</u>	<u>(52,840)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	13,878	181,479
CASH AND CASH EQUIVALENTS — BEGINNING OF YEAR	388,125	206,646
CASH AND CASH EQUIVALENTS — END OF YEAR	<u>\$ 402,003</u>	<u>\$ 388,125</u>
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Property and equipment funded through accounts payable	\$ 14,508	\$ 12,564
Right of use asset financed by operating lease liabilities	21,036	15,082
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	\$ 50,573	\$ 56,835
RECONCILIATION OF CASH AND CASH EQUIVALENTS		
Cash	\$ 272,385	\$ 370,671
Cash equivalents included in other current assets	221	217
Cash equivalents included in assets held for sale	10,930	13,452
Cash equivalents included in assets whose use is limited	118,467	3,785
	<u>\$ 402,003</u>	<u>\$ 388,125</u>

(Concluded)

See notes to consolidated financial statements

SANFORD

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (Dollar amounts in thousands)

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, research, and foundations supporting health related services.

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 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, 2021:

Sanford Health	Sanford Health Network
Sanford North	Sanford Health Network North
Sanford West	Sanford Home Health
Sanford Health of Northern Minnesota	Sanford Health Foundation
Sanford Medical Center	Sanford Health Foundation North
Sanford Medical Center Fargo	Sanford Health Foundation West
Sanford Bismarck	Sanford Health Foundation of Northern Minnesota
Sanford Clinic	The Evangelical Lutheran Good Samaritan Foundation
Sanford Clinic North	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, and post-retirement benefit obligations, which affect the reported amounts and disclosures of assets and liabilities at the date of the balance sheets. 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 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 philanthropic initiatives is included in other operating revenue. All other investment return, including realized and unrealized gains and losses, are recorded as non-operating income, 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, 2021 and 2020.

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

RIGHT OF USE ASSET AND OPERATING LEASE LIABILITIES Sanford leases various facilities and equipment under non-cancelable operating leases expiring at various dates through March 2041 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 and reported within current portion of other liabilities and operating lease liabilities on the balance sheet. 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 \$68,092 and \$63,922 as of December 31, 2021 and 2020. The annual impairment test was performed resulting in no impairment charges for the years ended December 31, 2021 and 2020. Intangible assets are amortized over the terms of the agreements. The balance, net of accumulated amortization, was \$16,672 and \$20,941 as of December 31, 2021 and 2020.

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, 2021 and 2020, notes receivable from providers and employees totaled \$47,193 and \$49,282, 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 recent 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, other accruals and deferred revenue, and other non-current liabilities primarily consist of professional and general liability claims reserves, workers' compensation insurance reserves, deferred revenue, premium deficiency reserves, asset retirement obligation, accrued taxes and interest, and 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 income, 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.

NON-CONTROLLING INTEREST Sanford has less than 100% ownership in certain entities and accordingly has consolidated them into the financial statements for the years ended December 31, 2021 and 2020. The net assets attributed to the non-controlling partners are reported as net assets without donor restrictions - non-controlling interest.

OPERATING AND NON-OPERATING ACTIVITIES Sanford's 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 on extinguishment of debt, and other expenses which largely consists of contributions expense 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 \$91,995 and \$94,140 for the years ended December 31, 2021 and 2020.

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, grant revenue, and stimulus revenue related to COVID-19.

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.

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 \$5,966 and \$5,745 have been recorded in other assets as of December 31, 2021 and 2020.

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, 2021 and 2020.

RECLASSIFICATIONS Certain prior year amounts have been reclassified to conform to the current year presentation relating to the discontinued operations of weight management retail stores, which is summarized in Note 19.

SUBSEQUENT EVENTS Sanford has evaluated subsequent events through March 31, 2022, 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 are 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, 2021 will be satisfied in full in 2022.

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. 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, 2021 and 2020 were not material.

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	
	2021	2020	2021	2020
Net revenue				
Medicare	32.3 %	33.5 %	15.2 %	16.8 %
Medicaid	11.9	11.6	46.0	47.5
Blue Cross	27.2	27.5	0.0	0.0
Other third-party payors	26.6	25.7	9.3	7.7
Self-pay and other	2.0	1.7	29.5	28.0
	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
Net accounts receivable				
Medicare	22.1 %	27.2 %	19.3 %	25.6 %
Medicaid	9.7	9.1	39.5	42.5
Blue Cross	22.6	20.9	0.0	0.0
Other third-party payors	31.6	29.2	19.8	21.7
Self-pay and other	14.0	13.6	21.4	10.2
	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>

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 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 material transfers between levels during the years ended December 31, 2021 and 2020.

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

Financial assets include short-term investments and debt service funds 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, 2021 and 2020.

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

	2021		
	Level 1	Level 2	Total
Assets			
Money market funds	\$ 400,813	\$ -	\$ 400,813
Equity mutual and exchange traded funds	203,215	-	203,215
Common stocks	7,214	-	7,214
Mutual funds (related to deferred compensation)	191,154	-	191,154
Fixed income mutual and exchange traded funds	676,491	-	676,491
U.S. government securities	28,401	-	28,401
Government sponsored enterprise securities	-	21,683	21,683
Government sponsored enterprise mortgage backed securities	-	17,192	17,192
Corporate debt securities	-	765,260	765,260
Municipal bonds	-	350,198	350,198
Other	-	14,969	14,969
Total assets valued at fair value	<u>\$ 1,507,288</u>	<u>\$ 1,169,302</u>	2,676,590
Investments recorded at fair value based on net asset value			<u>113,251</u>
			<u>\$ 2,789,841</u>
Assets reported as			
Short-term investments			\$ 323,914
Debt service funds in other current assets			221
Investments			2,156,085
Assets whose use is limited			
Regulatory and reserve funds			118,467
Deferred compensation funds			191,154
			<u>\$ 2,789,841</u>
	2020		
	Level 1	Level 2	Total
Assets			
Money market funds	\$ 251,280	\$ -	\$ 251,280
Equity mutual and exchange traded funds	142,138	-	142,138
Mutual funds (related to deferred compensation)	178,170	-	178,170
Fixed income mutual and exchange traded funds	467,717	-	467,717
U.S. government securities	27,101	-	27,101
Government sponsored enterprise securities	-	13,281	13,281
Government sponsored enterprise mortgage backed securities	-	20,549	20,549
Corporate debt securities	-	695,480	695,480
Municipal bonds	-	316,401	316,401
Other	-	15,477	15,477
Total assets valued at fair value	<u>\$ 1,066,406</u>	<u>\$ 1,061,188</u>	2,127,594
Investments recorded at fair value based on net asset value			<u>99,807</u>
			<u>\$ 2,227,401</u>
Assets reported as			
Short-term investments			\$ 292,527
Debt service funds in other current assets			217
Investments			1,752,701
Assets whose use is limited			
Regulatory and reserve funds			3,786
Deferred compensation funds			178,170
			<u>\$ 2,227,401</u>

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 uses 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, real estate private equity funds, and private debt securities. Domestic and global equities include 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. Private debt securities include investments in fixed income instruments comprised of broadly syndicated bank loans.

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

	NAV		Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
	2021	2020			
Domestic and global equities	\$ 70,866	\$ 76,562	\$ 15,137	Limited	N/A
Real estate private equities	22,994	23,245	-	Limited	N/A
Real estate private equities	9,700	-	-	Quarterly	2 days
Private debt securities	9,691	-	-	Quarterly	30 days
	<u>\$ 113,251</u>	<u>\$ 99,807</u>	<u>\$ 15,137</u>		

5. LIQUIDITY AND AVAILABILITY

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

	2021	2020
Cash	\$ 272,385	\$ 370,671
Short-term investments	323,914	292,527
Accounts receivable, less allowances	724,239	679,452
Debt service funds in other current assets	221	217
Notes and contributions receivable in other current assets	20,741	20,753
Investments, less alternative investments	2,042,834	1,652,894
	<u>\$ 3,384,334</u>	<u>\$ 3,016,514</u>

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 payable within the next year and are not reflected in the amounts above.

6. INVESTMENT RETURN

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

	<u>2021</u>	<u>2020</u>
Without donor restrictions - other operating revenue		
Dividend and interest income	\$ 31,945	\$ 32,541
Without donor restrictions - non-operating income		
Dividend and interest income	28,270	29,667
Net realized gain (loss) on sales of investments	1,494	(11,491)
Unrealized (loss) gain	<u>(18,293)</u>	<u>69,810</u>
	<u>11,471</u>	<u>87,986</u>
With donor restrictions		
Dividend and interest income	3,782	3,664
Net realized gain on sales of investments	3,906	229
Unrealized gain	<u>14,902</u>	<u>9,648</u>
	<u>22,590</u>	<u>13,541</u>
	<u>\$ 66,006</u>	<u>\$ 134,068</u>

7. PROPERTY AND EQUIPMENT

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

	<u>2021</u>	<u>2020</u>
Land and land improvements	\$ 523,473	\$ 515,532
Buildings	3,335,246	3,346,880
Building equipment	474,087	455,113
Movable equipment	1,462,690	1,472,980
Construction in process	<u>108,084</u>	<u>88,468</u>
	5,903,580	5,878,973
Accumulated depreciation	<u>(3,015,801)</u>	<u>(2,975,024)</u>
	<u>\$ 2,887,779</u>	<u>\$ 2,903,949</u>

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 within other non-operating income. As of December 31, 2021 and 2020, investments in joint ventures 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 as follows:

	<u>2021</u>	<u>2020</u>
Total assets	\$ 141,314	\$ 138,556
Total operating revenues	93,637	89,437
Income from operations	7,797	1,997

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

	<u>2021</u>	<u>2020</u>
Net gains on investments in joint ventures	\$ 2,256	\$ 229
New equity contributions into joint ventures	3,352	2,823
Distributions received from joint ventures	1,674	1,102

9. CONTRIBUTIONS RECEIVABLE

Contributions receivable as of December 31 consisted of the following:

	<u>2021</u>	<u>2020</u>
Contributions maturities		
Within one year	\$ 5,632	\$ 5,242
One to five years	7,631	9,181
Thereafter	<u>2,277</u>	<u>3,130</u>
	15,540	17,553
Less present value discount and uncollectible allowance	<u>(1,285)</u>	<u>(2,163)</u>
	<u>\$ 14,255</u>	<u>\$ 15,390</u>
Contributions restrictions		
Without donor restrictions - controlling interest	\$ 864	\$ 1,879
With donor restrictions	<u>13,391</u>	<u>13,511</u>
	<u>\$ 14,255</u>	<u>\$ 15,390</u>

10. MEDICAL CLAIMS PAYABLE

Medical claims payable and claims activity, net of reinsurance, as of and for the years ended December 31 consisted of the following:

	<u>2021</u>		
	<u>Current Year</u>	<u>Prior Year</u>	<u>Total</u>
Beginning of year claims payable	\$ -	\$ 84,323	\$ 84,323
Incurred claims	753,862	(17,256)	736,606
Paid claims	<u>(658,019)</u>	<u>(66,766)</u>	<u>(724,785)</u>
End of year claims payable	<u>\$ 95,843</u>	<u>\$ 301</u>	<u>\$ 96,144</u>
	<u>2020</u>		
	<u>Current Year</u>	<u>Prior Year</u>	<u>Total</u>
Beginning of year claims payable	\$ -	\$ 92,207	\$ 92,207
Incurred claims	671,741	(15,200)	656,541
Paid claims	(590,231)	(69,070)	(659,301)
Retrospective contract reserves	-	(5,124)	(5,124)
End of year claims payable	<u>\$ 81,510</u>	<u>\$ 2,813</u>	<u>\$ 84,323</u>

11. OPERATING LEASES

Future payments due under operating leases are as follows:

Years ending December 31,	
2022	\$ 22,471
2023	16,348
2024	12,572
2025	10,532
2026	8,043
Thereafter	<u>24,515</u>
	94,481
Less present value discount	<u>(17,762)</u>
	<u>\$ 76,719</u>

Operating lease liabilities are calculated as the present value of the remaining lease payments. The weighted average discount rate for operating leases is 4.7% and 5.0% for the years ended December 31, 2021 and 2020. The weighted-average remaining lease term for operating leases is 6.5 years for the year ended December 31, 2021. Lease expense associated with operating leases was \$28,705 and \$24,146 for the years ended December 31, 2021 and 2020.

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 contribution levels. Employee and employer contributions are deposited with the plan trustee who invests the plan assets. Defined contribution retirement costs of \$112,066 and \$104,765 were recognized as part of salaries and benefits for the years ended December 31, 2021 and 2020.

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	
	2021	2020	2021	2020
Change in benefit obligation				
Benefit obligation, beginning of year	\$ 242,408	\$ 227,031	\$ 151,841	\$ 139,649
Service cost	472	1,175	1,488	1,380
Interest cost	5,923	7,341	3,826	4,619
Actuarial (gain) loss	(9,952)	18,313	(4,861)	12,469
Benefits paid	(11,936)	(11,451)	(6,513)	(6,276)
Benefit obligation, end of year	<u>\$ 226,915</u>	<u>\$ 242,408</u>	<u>\$ 145,781</u>	<u>\$ 151,841</u>
Change in plan assets				
Fair value of plan assets, beginning of year	\$ 202,845	\$ 188,266	\$ 124,862	\$ 115,472
Gain on plan assets	16,122	16,790	11,186	12,365
Employer contributions	9,240	9,240	3,600	3,300
Benefits paid	(11,936)	(11,451)	(6,513)	(6,276)
Fair value of plan assets, end of year	<u>\$ 216,271</u>	<u>\$ 202,845</u>	<u>\$ 133,135</u>	<u>\$ 124,862</u>
Funded status				
Benefit obligation in excess of plan assets	<u>\$ 10,644</u>	<u>\$ 39,563</u>	<u>\$ 12,646</u>	<u>\$ 26,979</u>
Amounts recognized in net assets without donor restrictions consisting of net actuarial loss				
	<u>\$ 52,202</u>	<u>\$ 69,388</u>	<u>\$ 13,666</u>	<u>\$ 23,218</u>
Accumulated benefit obligation				
	<u>\$ 225,834</u>	<u>\$ 240,914</u>	<u>\$ 139,884</u>	<u>\$ 144,514</u>
Weighted average of assumptions used to determine end of year obligations				
Discount rate	2.90 %	2.50 %	2.90 %	2.55 %
Rate of compensation increase	3.00 %	3.00 %	3.00 %	3.00 %

COMPONENTS OF NET PERIODIC PENSION COST

	Master Plan		Bismarck Plan	
	2021	2020	2021	2020
Service cost	\$ 472	\$ 1,175	\$ 1,488	\$ 1,380
Interest cost	5,923	7,341	3,826	4,619
Expected return on plan assets	(11,512)	(10,881)	(7,404)	(6,831)
Amortization of actuarial loss	2,622	6,749	908	290
Net periodic pension cost	<u>\$ (2,495)</u>	<u>\$ 4,384</u>	<u>\$ (1,182)</u>	<u>\$ (542)</u>
Weighted average of assumptions used to determine net periodic cost				
Discount rate	2.50%	3.30%	2.55%	3.35%
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. Service cost is included in salaries and benefits expense and all other components of the net periodic pension cost are included in other expenses within non-operating (expense) income.

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

	Master Plan		Bismarck Plan	
	2021	2020	2021	2020
Equity investments	31 %	33 %	39 %	33 %
Debt investments	67	65	60	66
Cash equivalents	2	2	1	1
	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>

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:

	2021 - Master Plan		
	Level 1	Level 2	Total
Money market funds	\$ 3,050	\$ -	\$ 3,050
Equity mutual and exchange traded funds	67,985	-	67,985
Fixed income mutual and exchange traded funds	48,689	-	48,689
U.S. government securities	8,209	-	8,209
Government sponsored enterprise securities	-	7,126	7,126
Government sponsored enterprise mortgage backed securities	-	3,140	3,140
Corporate debt securities	-	45,125	45,125
Municipal bonds	-	31,321	31,321
Other	-	1,626	1,626
	<u>\$ 127,933</u>	<u>\$ 88,338</u>	<u>\$ 216,271</u>

	2021 - Bismarck Plan		
	Level 1	Level 2	Total
Money market funds	\$ 558	\$ -	\$ 558
Equity mutual and exchange traded funds	51,780	-	51,780
Fixed income mutual and exchange traded funds	80,797	-	80,797
	<u>\$ 133,135</u>	<u>\$ -</u>	<u>\$ 133,135</u>

	2020 - Master Plan		
	Level 1	Level 2	Total
Money market funds	\$ 2,523	\$ -	\$ 2,523
Equity mutual and exchange traded funds	66,894	-	66,894
Fixed income mutual and exchange traded funds	36,020	-	36,020
U.S. government securities	8,144	-	8,144
Government sponsored enterprise securities	-	5,432	5,432
Government sponsored enterprise mortgage backed securities	-	3,335	3,335
Corporate debt securities	-	47,211	47,211
Municipal bonds	-	31,562	31,562
Other	-	1,723	1,723
	<u>\$ 113,581</u>	<u>\$ 89,263</u>	<u>\$ 202,844</u>

	2020 - Bismarck Plan		
	Level 1	Level 2	Total
Money market funds	\$ 540	\$ -	\$ 540
Equity mutual and exchange traded funds	41,665	-	41,665
Fixed income mutual and exchange traded funds	82,657	-	82,657
	<u>\$ 124,862</u>	<u>\$ -</u>	<u>\$ 124,862</u>

Sanford expects to recognize \$1,936 of amortization of net actuarial loss for the year ending December 31, 2022.

BENEFIT PAYMENTS The following benefits are expected to be paid:

	Master Plan	Bismarck Plan
Years ending December 31,		
2022	\$ 12,559	\$ 6,936
2023	12,901	7,280
2024	13,162	7,648
2025	13,292	7,941
2026	13,361	8,128
2027-2031	66,165	42,055

The expected contributions to be made for the defined benefit plans for the year ending December 31, 2022 are \$9,240 for the Master Plan and \$3,600 for the Bismarck Plan.

13. RESIDENTIAL HOUSING DEPOSITS

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

	2021	2020
Refundable portion	\$ 124,556	\$ 127,587
Non-refundable portion	17,440	18,621
Total residential housing deposits	141,996	146,208
Less current portion	(17,970)	(14,902)
	<u>\$ 124,026</u>	<u>\$ 131,306</u>

14. LONG-TERM DEBT

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

	<u>2021</u>	<u>2020</u>
Bonds payable	\$ 1,433,440	\$ 1,355,683
Notes payable	93,208	91,790
Finance lease obligations	1,965	3,045
Net unamortized bond premiums and deferred financing costs	<u>73,242</u>	<u>86,116</u>
Total debt	1,601,855	1,536,634
Less current maturities	<u>(67,783)</u>	<u>(63,390)</u>
Total long-term portion of debt	<u>\$ 1,534,072</u>	<u>\$ 1,473,244</u>

Bonds payable as of December 31, 2021 consisted of the following:

	<u>Interest Structure</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Outstanding Principal</u>
Series 1997	Variable	0.97%	November 2027	\$ 2,375
Series 2000	Variable	0.57%	November 2025	1,230
Series 2004B	Variable	0.99%	November 2034	12,925
Series 2010	Fixed	3.38%	December 2025	1,330
Series 2012A	Fixed	1.83%	September 2024	12,200
Series 2012B	Fixed	2.39%	September 2031	25,700
Series 2012C	Fixed	1.38%	September 2024	705
Series 2012D	Fixed	1.97%	September 2032	27,970
Series 2014A	Fixed	4.00%	November 2034	52,000
Series 2014B	Fixed	4.00% to 5.00%	November 2044	165,205
Series 2015	Fixed	4.00% to 5.00%	November 2045	155,410
Series 2016	Fixed	1.92%	November 2026	25,000
Series 2019A	Fixed	4.00% to 5.00%	November 2049	333,650
Series 2019B	Fixed	2.24% to 3.85%	November 2049	367,895
Series 2021	Fixed	0.59% to 3.17%	November 2052	249,845
				<u>\$ 1,433,440</u>

Notes payable as of December 31, 2021 consisted of the following:

	<u>Interest Structure</u>	<u>Interest Rates</u>	<u>Final Maturity</u>	<u>Outstanding Principal</u>
Bank notes	Fixed	1.52% to 2.50%	April 2032	\$ 81,456
Other	Fixed	0.00% to 2.85%	June 2031	<u>11,752</u>
				<u>\$ 93,208</u>

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

The Obligated Group has obtained liquidity facilities related to \$330 of the Series 1997 Note Obligations in the form of a Standby Bond Purchase Agreement with The First National Bank in Sioux Falls, which expires November 1, 2022. Under the Standby Bond Purchase Agreement, The First National Bank in Sioux Falls is required, subject to certain conditions, to purchase the Series 1997 Bonds that have been tendered for purchase and not remarketed, unless the Obligated Group has provided sufficient funds to pay the purchase price. The Obligated Group is providing its own internal liquidity support for \$2,045 of the Series 1997 Note Obligations and \$1,230 of the Series 2000 Note Obligation in the event respective bonds are tendered for purchase and not remarketed. Principal in the amount of \$3,605 and \$4,158 as of December 31, 2021 and 2020 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.

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, 2021 and 2020.

Scheduled principal payments of long-term debt as of December 31, 2021 are as follows:

	Bonds Payable	Notes Payable	Finance Lease Obligations	Total
Years ending December 31,				
2022	\$ 46,278	\$ 11,867	\$ 1,434	\$ 59,579
2023	47,504	12,417	727	60,648
2024	47,981	13,004	-	60,985
2025	50,017	15,583	-	65,600
2026	51,220	12,178	-	63,398
Thereafter	1,190,440	28,159	-	1,218,599
Less interest	-	-	(196)	(196)
	<u>\$ 1,433,440</u>	<u>\$ 93,208</u>	<u>\$ 1,965</u>	<u>\$ 1,528,613</u>

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 up to a \$18,000 annual aggregate as of December 31, 2021.

Excess coverage of \$80,000 for hospital and clinics and \$110,000 for senior care 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.

OTHER COMMITMENTS AND CONTINGENCIES Under the laws of the states of South Dakota, North Dakota, Nebraska, 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:

	<u>2021</u>	<u>2020</u>
Net assets subject to the passage of time		
Affordable housing capital advances - held for sale	\$ -	\$ 37,328
Net assets subject to expenditures for specific purposes		
Women's health	63,305	63,979
Senior care	15,563	13,753
Children's fitness	9,143	10,177
Affordable housing projects - held for sale	352	872
Programs, services and equipment	<u>121,240</u>	<u>107,201</u>
	<u>209,603</u>	<u>195,982</u>
Net assets to be held in perpetuity		
Endowments, income restricted by donors	111,926	107,742
Endowments, income not restricted by donors	<u>5,487</u>	<u>5,428</u>
	<u>117,413</u>	<u>113,170</u>
Net assets with donor restrictions	<u>\$ 327,016</u>	<u>\$ 346,480</u>

See Note 19 for further information on net assets associated with affordable housing capital advances and projects held for sale.

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

	<u>2021</u>	<u>2020</u>
Beginning of year	\$ 113,170	\$ 109,805
Contributions	3,644	2,970
Investment return and other	599	395
End of year	<u>\$ 117,413</u>	<u>\$ 113,170</u>

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, 2021.

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 were as follows:

	<u>2021</u>	<u>2020</u>
Operating expenses	\$ 15,882	\$ 15,647
Property and equipment	3,561	2,834
	<u>\$ 19,443</u>	<u>\$ 18,481</u>

17. FUNCTIONAL EXPENSES

Sanford provides healthcare, senior care, and healthcare financing services to meet these needs of individuals. The statements of operations report 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 were as follows:

	<u>2021</u>					
	<u>Healthcare</u>	<u>Senior Care</u>	<u>Health Plan</u>	<u>Research and Other</u>	<u>General</u>	<u>Total</u>
Salaries and benefits	\$ 2,591,695	\$ 547,205	\$ 28,064	\$ 45,915	\$ 290,643	\$ 3,503,522
Supplies	1,102,682	74,901	276	14,595	12,037	1,204,491
Purchased services and other	592,094	191,398	51,887	25,622	158,140	1,019,141
Medical claims	-	-	741,606	-	-	741,606
Depreciation and amortization	143,228	72,936	222	6,898	27,261	250,545
Interest	28,595	21,968	-	-	1,252	51,815
Total	<u>\$ 4,458,294</u>	<u>\$ 908,408</u>	<u>\$ 822,055</u>	<u>\$ 93,030</u>	<u>\$ 489,333</u>	<u>\$ 6,771,120</u>

	2020					
	Healthcare	Senior Care	Health Plan	Research and Other	General	Total
Salaries and benefits	\$ 2,378,684	\$ 576,901	\$ 23,922	\$ 42,164	\$ 318,425	\$ 3,340,096
Supplies	982,604	84,674	250	11,104	4,413	1,083,045
Purchased services and other	478,855	175,042	75,961	27,312	143,533	900,703
Medical claims	-	-	676,541	-	-	676,541
Depreciation and amortization	139,624	59,358	142	14,242	29,882	243,248
Interest	32,422	22,706	-	223	2,209	57,560
Total	\$ 4,012,189	\$ 918,681	\$ 776,816	\$ 95,045	\$ 498,462	\$ 6,301,193

Healthcare, senior care, health plan, and research and other are program services.

18. COVID-19

In March 2020, the World Health Organization declared the outbreak of a novel strain of coronavirus (COVID-19) a global pandemic. In response, Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the Paycheck Protection Program and Health Care Enhancement (PPPHCE) Act, allocating funding to individuals or businesses affected by the pandemic and economic downturn. In March 2021, Congress passed the American Rescue Plan (ARP) Act of 2021, providing additional relief for the continued impact of COVID-19 on public health, state and local governments, individuals, and businesses.

Certain measures of the Acts are aimed directly at supporting healthcare organizations. The recognition of amounts received by healthcare organizations are conditioned upon the provision of care for individuals with actual or possible cases of COVID-19 and a certification that the funds will only be used to prevent, prepare for, and respond to the coronavirus. Depending on the specific terms and conditions of the funds received, payments shall only reimburse for healthcare expenses or lost revenues that are attributable to COVID-19 and not otherwise reimbursed by other sources.

For the year ended December 31, 2020, Sanford received \$323,984 in CARES Act and PPPHCE Act stimulus funds, of which \$273,145 of CARES Act and PPPHCE Act stimulus funds were recognized into its statement of operations as other operating revenue or non-operating income for the year ended December 31, 2020. For the year ended December 31, 2021, Sanford received \$17,630 in CARES Act and PPPHCE Act stimulus funds and \$65,606 in ARP Act stimulus funds. Combined with unrecognized stimulus funds as of December 31, 2020, Sanford recognized \$65,796 of CARES Act and PPPHCE Act stimulus funds and \$59,815 of ARP Act stimulus funds into its statement of operations as other operating revenue for the year ended December 31, 2021. Remaining unrecognized stimulus funds are reflected as deferred revenue within current liabilities as of December 31, 2021.

These distributions are not subject to repayment, provided Sanford is able to attest to and comply with the terms and conditions of the funding received and subsequently comply with the reporting requirements required by the Department of Health and Human Services. Sanford has attested to the terms and conditions for all stimulus funding received as of December 31, 2021.

19. ASSETS AND LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS

In November 2020, Sanford executed a letter of intent with a qualified buyer to divest of its affordable housing line of business. The divestiture will take place on a location by location basis throughout 2021 and 2022.

In December 2021, Sanford made the decision to divest its Profile by Sanford (“Profile”) weight management retail line of business, which was subsequently sold in January 2022.

All assets and liabilities associated with affordable housing and Profile have been classified as held for sale, and loss from operations classified as discontinued operations within the statement of operations as of and for the years ended December 31, 2021 and 2020, which is further summarized below. All related footnotes have been updated to reflect assets and liabilities held for sale and loss from discontinued operations treatment.

	<u>2021</u>	<u>2020</u>
Assets held for sale		
Cash	\$ 3,159	\$ 3,012
Other current assets and other assets	4,656	43,166
Assets whose use is limited	7,409	9,924
Property and equipment - net	69,693	103,667
Total assets held for sale	<u>\$ 84,917</u>	<u>\$ 159,769</u>
Liabilities held for sale		
Current liabilities and non-current liabilities	\$ 16,568	\$ 20,556
Total debt	31,675	33,609
Total liabilities held for sale	<u>\$ 48,243</u>	<u>\$ 54,165</u>
Net assets		
Without donor restrictions - controlling interest	\$ 14,218	\$ 43,447
Without donor restrictions - non-controlling interest	22,104	23,957
With donor restrictions	352	38,200
Total net assets	<u>\$ 36,674</u>	<u>\$ 105,604</u>
Loss from discontinued operations		
Operating revenues	\$ 59,329	\$ 56,841
Operating expenses	(113,719)	(76,929)
Non-operating expense	(52,734)	(5,475)
Loss from discontinued operations	<u>\$ (107,124)</u>	<u>\$ (25,563)</u>

Amounts of assets and liabilities of the affordable housing entities divested for the year ended December 31, 2021 are as follows:

	<u>Entities Divested</u>
Assets held for sale	
Cash	\$ 371
Other current assets and other assets	207
Assets whose use is limited	2,864
Property and equipment - net	23,461
Total assets held for sale	<u>\$ 26,903</u>
Liabilities held for sale	
Current liabilities and non-current liabilities	\$ 1,336
Total debt	1,223
Total liabilities held for sale	<u>\$ 2,559</u>
Net assets	
Without donor restrictions - controlling interest	\$ (13,488)
With donor restrictions	37,832
	<u>\$ 24,344</u>

As part of the affordable housing divestitures completed in 2021, a \$13,895 gain on divestitures was recorded within the results of discontinued operations for the year ended December 31, 2021.

Total debt held for sale as of December 31 consisted of the following:

	<u>2021</u>	<u>2020</u>
Notes payable	\$ 33,316	\$ 35,402
Net unamortized deferred financing costs	<u>(1,641)</u>	<u>(1,793)</u>
Total debt	<u>\$ 31,675</u>	<u>\$ 33,609</u>

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

* * * * *

SUPPLEMENTAL CONSOLIDATING INFORMATION

SANFORD

CONSOLIDATING SCHEDULE OF BALANCE SHEETS
AS OF DECEMBER 31, 2021
(In thousands)

	Obligated Group	Other	Eliminations	Total
ASSETS				
CURRENT ASSETS				
Cash	\$ 118,376	\$ 154,009	\$ -	\$ 272,385
Short-term investments	260,516	63,398	-	323,914
Accounts receivable, less allowances	699,247	92,156	(67,164)	724,239
Inventories	118,539	11,243	-	129,782
Other current assets	85,650	3,090	-	88,740
Total current assets	1,282,328	323,896	(67,164)	1,539,060
ASSETS HELD FOR SALE	10,578	84,917	(10,578)	84,917
INVESTMENTS	1,852,378	303,707	-	2,156,085
ASSETS WHOSE USE IS LIMITED	308,709	912	-	309,621
PROPERTY AND EQUIPMENT — NET	2,792,620	95,159	-	2,887,779
OTHER ASSETS				
Right of use asset	65,033	10,271	-	75,304
Investment in joint ventures	44,818	180	-	44,998
Non-operating property	146,808	6,225	-	153,033
Goodwill and intangible assets	70,894	13,870	-	84,764
Notes receivable	36,233	462	-	36,695
Other assets	51,560	8,365	-	59,925
Total other assets	415,346	39,373	-	454,719
TOTAL ASSETS	\$ 6,661,959	\$ 847,964	\$ (77,742)	\$ 7,432,181

See notes to consolidated financial statements

SANFORD

CONSOLIDATING SCHEDULE OF BALANCE SHEETS

AS OF DECEMBER 31, 2021

(In thousands)

	Obligated Group	Other	Eliminations	Total
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Current maturities of long-term debt	\$ 67,783	\$ -	\$ -	\$ 67,783
Current portion of other liabilities	132,533	11,911	-	144,444
Accounts payable	150,945	19,221	(9,504)	160,662
Accrued compensation and benefits	333,583	2,729	(15,587)	320,725
Medical claims payable	-	138,217	(42,073)	96,144
Other accruals and deferred revenue	75,471	147,486	-	222,957
Total current liabilities	760,315	319,564	(67,164)	1,012,715
LIABILITIES HELD FOR SALE	-	58,821	(10,578)	48,243
OTHER LIABILITIES				
Operating leases	50,798	7,523	-	58,321
Deferred compensation	191,152	-	-	191,152
Defined benefit pension	23,290	-	-	23,290
Residential housing deposits	124,026	-	-	124,026
Other non-current liabilities	109,244	21,982	-	131,226
Total other liabilities	498,510	29,505	-	528,015
LONG-TERM DEBT, LESS CURRENT MATURITIES	1,534,072	-	-	1,534,072
Total liabilities	2,792,897	407,890	(77,742)	3,123,045
COMMITMENTS AND CONTINGENCIES (NOTE 15)				
NET ASSETS				
Without donor restrictions - controlling interest	3,542,398	415,586	-	3,957,984
Without donor restrictions - non-controlling interest	-	24,136	-	24,136
With donor restrictions	326,664	352	-	327,016
Total net assets	3,869,062	440,074	-	4,309,136
TOTAL LIABILITIES AND NET ASSETS	\$ 6,661,959	\$ 847,964	\$ (77,742)	\$ 7,432,181

See notes to consolidated financial statements

SANFORD

CONSOLIDATING SCHEDULE OF BALANCE SHEETS

AS OF DECEMBER 31, 2020

(In thousands)

	Obligated Group	Other	Eliminations	Total
ASSETS				
CURRENT ASSETS				
Cash	\$ 265,694	\$ 104,977	\$ -	\$ 370,671
Short-term investments	241,739	50,788	-	292,527
Accounts receivable, less allowances	667,907	73,780	(62,235)	679,452
Inventories	116,176	12,417	-	128,593
Other current assets	77,440	1,890	-	79,330
Total current assets	1,368,956	243,852	(62,235)	1,550,573
ASSETS HELD FOR SALE	12,056	159,769	(12,056)	159,769
INVESTMENTS	1,459,113	293,588	-	1,752,701
ASSETS WHOSE USE IS LIMITED	181,045	911	-	181,956
PROPERTY AND EQUIPMENT — NET	2,804,809	99,140	-	2,903,949
OTHER ASSETS				
Right of use asset	60,524	12,006	-	72,530
Investment in joint ventures	40,913	151	-	41,064
Non-operating property	104,595	27,356	-	131,951
Goodwill and intangible assets	75,065	9,798	-	84,863
Notes receivable	36,455	2,780	-	39,235
Other assets	54,821	9,161	-	63,982
Total other assets	372,373	61,252	-	433,625
 TOTAL ASSETS	 \$ 6,198,352	 \$ 858,512	 \$ (74,291)	 \$ 6,982,573

See notes to consolidated financial statements

SANFORD

CONSOLIDATING SCHEDULE OF BALANCE SHEETS
AS OF DECEMBER 31, 2020
(In thousands)

	Obligated Group	Other	Eliminations	Total
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Current maturities of long-term debt	\$ 63,048	\$ 342	\$ -	\$ 63,390
Current portion of other liabilities	62,920	12,363	-	75,283
Accounts payable	127,138	16,552	(10,131)	133,559
Accrued compensation and benefits	310,992	3,613	(16,081)	298,524
Medical claims payable	-	120,346	(36,023)	84,323
Other accruals and deferred revenue	166,740	26,079	-	192,819
Total current liabilities	730,838	179,295	(62,235)	847,898
LIABILITIES HELD FOR SALE	-	66,221	(12,056)	54,165
OTHER LIABILITIES				
Operating leases	45,679	9,503	-	55,182
Deferred compensation	177,026	-	-	177,026
Defined benefit pension	66,543	-	-	66,543
Residential housing deposits	131,306	-	-	131,306
Other non-current liabilities	55,683	61,654	-	117,337
Total other liabilities	476,237	71,157	-	547,394
LONG-TERM DEBT, LESS CURRENT MATURITIES	1,463,390	9,854	-	1,473,244
Total liabilities	2,670,465	326,527	(74,291)	2,922,701
COMMITMENTS AND CONTINGENCIES (NOTE 15)				
NET ASSETS				
Without donor restrictions - controlling interest	3,220,125	467,108	-	3,687,233
Without donor restrictions - non-controlling interest	-	26,159	-	26,159
With donor restrictions	307,762	38,718	-	346,480
Total net assets	3,527,887	531,985	-	4,059,872
TOTAL LIABILITIES AND NET ASSETS	\$ 6,198,352	\$ 858,512	\$ (74,291)	\$ 6,982,573

See notes to consolidated financial statements

SANFORD

CONSOLIDATING SCHEDULE OF STATEMENTS OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2021

(In thousands)

	Obligated Group	Other	Eliminations	Total
OPERATING REVENUES				
Net patient revenue	\$ 4,335,742	\$ 120,932	\$ (341,605)	\$ 4,115,069
Net resident revenue	766,883	3,805	(3,741)	766,947
Premium revenue	-	1,149,584	-	1,149,584
Other operating revenue	1,054,836	74,089	(21,782)	1,107,143
Total operating revenues	6,157,461	1,348,410	(367,128)	7,138,743
OPERATING EXPENSES				
Salaries and benefits	3,388,416	129,109	(14,003)	3,503,522
Supplies	1,158,957	45,585	(51)	1,204,491
Purchased services and other	910,964	116,669	(8,492)	1,019,141
Medical claims	-	1,086,188	(344,582)	741,606
Depreciation and amortization	241,920	8,625	-	250,545
Interest	51,281	534	-	51,815
Total operating expenses	5,751,538	1,386,710	(367,128)	6,771,120
INCOME (LOSS) FROM OPERATIONS	405,923	(38,300)	-	367,623
NON-OPERATING (EXPENSE) INCOME				
Investment (loss) return	(1,410)	12,881	-	11,471
Loss on extinguishment of debt	(282)	(133)	-	(415)
Other expenses	(35,553)	4,229	-	(31,324)
Net non-operating (expense) income	(37,245)	16,977	-	(20,268)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES FROM CONTINUING OPERATIONS				
	368,678	(21,323)	-	347,355
Gain (loss) from discontinued operations	13,025	(120,149)	-	(107,124)
Plus deficiency of revenues over expenses attributable to non-controlling interest	-	2,033	-	2,033
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES ATTRIBUTABLE TO CONTROLLING INTEREST				
	381,703	(139,439)	-	242,264
Net assets released from restrictions for acquisitions of property and equipment	3,561	-	-	3,561
Pension plan related changes	26,704	-	-	26,704
Other changes in net assets	-	(1,778)	-	(1,778)
Transfers	(89,695)	89,695	-	-
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS - CONTROLLING INTEREST	\$ 322,273	\$ (51,522)	\$ -	\$ 270,751

See notes to consolidated financial statements

SANFORD

CONSOLIDATING SCHEDULE OF STATEMENTS OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In thousands)

	Obligated Group	Other	Eliminations	Total
OPERATING REVENUES				
Net patient revenue	\$ 3,798,554	\$ 114,730	\$ (301,759)	\$ 3,611,525
Net resident revenue	815,009	-	(5,633)	809,376
Premium revenue	-	1,067,439	-	1,067,439
Other operating revenue	1,077,379	71,909	(25,011)	1,124,277
Total operating revenues	<u>5,690,942</u>	<u>1,254,078</u>	<u>(332,403)</u>	<u>6,612,617</u>
OPERATING EXPENSES				
Salaries and benefits	3,235,195	122,450	(17,549)	3,340,096
Supplies	1,046,229	36,848	(32)	1,083,045
Purchased services and other	772,300	136,530	(8,127)	900,703
Medical claims	-	983,236	(306,695)	676,541
Depreciation and amortization	234,988	8,260	-	243,248
Interest	56,807	753	-	57,560
Total operating expenses	<u>5,345,519</u>	<u>1,288,077</u>	<u>(332,403)</u>	<u>6,301,193</u>
INCOME (LOSS) FROM OPERATIONS	345,423	(33,999)	-	311,424
NON-OPERATING INCOME				
Investment return	66,475	21,511	-	87,986
Loss on extinguishment of debt	(5,163)	-	-	(5,163)
Other expenses	(28,323)	(4,214)	-	(32,537)
Net non-operating income	<u>32,989</u>	<u>17,297</u>	<u>-</u>	<u>50,286</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES				
FROM CONTINUING OPERATIONS	378,412	(16,702)	-	361,710
Loss from discontinued operations	(244)	(25,319)	-	(25,563)
Plus deficiency of revenues over expenses attributable to non-controlling interest	<u>-</u>	<u>1,730</u>	<u>-</u>	<u>1,730</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES				
ATTRIBUTABLE TO CONTROLLING INTEREST	378,168	(40,291)	-	337,877
Net assets released from restrictions for				
acquisitions of property and equipment	2,818	16	-	2,834
Pension plan related changes	(12,300)	-	-	(12,300)
Transfers	<u>(50,254)</u>	<u>41,627</u>	<u>8,627</u>	<u>-</u>
INCREASE IN NET ASSETS				
WITHOUT DONOR RESTRICTIONS - CONTROLLING INTEREST	<u>\$ 318,432</u>	<u>\$ 1,352</u>	<u>\$ 8,627</u>	<u>\$ 328,411</u>

See notes to consolidated financial statements

SANFORD

NOTES TO CONSOLIDATING SCHEDULES

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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, 2021:

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

* * * * *