Exhibit 8-A

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

Consolidated Financial Statements and Supplementary Information

SANFORD™

Years Ended December 31, 2022 and 2021
With Report of Independent Auditors

Ernst & Young LLP

Building a better working world

Sanford

Consolidated Financial Statements and Supplementary Information

Years Ended December 31, 2022 and 2021

Contents

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Report of Independent Auditors

The Board of Trustees
Sanford

Opinion

We have audited the consolidated financial statements of Sanford, which compromise the consolidated balance sheet as of December 31, 2022, and the related consolidated statement of operations, changes in net assets, and cash flows for the year then ended, and the related notes (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 at December 31, 2022, and the results of its operations, changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under for 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Report of Other Auditors on 2021 Financial Statements

The financial statements of Sanford for the year ended December 31, 2021 were audited by another auditor who expressed an unmodified opinion on those financial statements on March 31, 2022.

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 of 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 of 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying consolidating balance sheets and consolidating statements of operations are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Ernst & Young LLP

March 29, 2023

Sanford

Consolidated Balance Sheets

(In Thousands)

	December 31	
	2022	**2021**
Assets		
Current assets:		
Cash	**$ 217,637**	$ 272,385
Short-term investments	**296,071**	323,914
Accounts receivable	**868,796**	724,239
Inventories	**129,152**	129,782
Other current assets	**104,465**	88,740
Total current assets	**1,616,121**	1,539,060
Assets held for sale	**55,492**	84,917
Investments	**1,827,905**	2,156,085
Assets whose use is limited	**247,269**	309,621
Property and equipment, net	**2,814,484**	2,887,779
Other assets:		
Right-of-use asset	**87,539**	75,304
Investment in joint ventures	**49,298**	44,998
Non-operating property	**163,979**	153,033
Goodwill and intangible assets	**82,457**	84,764
Notes receivable	**56,105**	36,695
Other assets	**58,034**	59,925
Total other assets	**497,412**	454,719
Total assets	**$ 7,058,683**	$ 7,432,181

Sanford

Consolidated Balance Sheets (continued)

(In Thousands)

	December 31 2022	December 31 2021
Liabilities and net assets		
Current liabilities:		
Current maturities of long-term debt	**$ 68,200**	$ 67,783
Current portion of other liabilities	**116,515**	144,444
Accounts payable	**144,341**	160,662
Accrued compensation and benefits	**317,971**	320,725
Medical claims payable	**76,664**	96,144
Other accruals and deferred revenue	**191,026**	222,957
Total current liabilities	**914,717**	1,012,715
Liabilities held for sale	**19,670**	48,243
Other liabilities:		
Operating leases	**69,921**	58,321
Deferred compensation	**163,802**	191,152
Defined benefit pension	**–**	23,290
Residential housing deposits	**117,733**	124,026
Other non-current liabilities	**177,839**	131,226
Total other liabilities	**529,295**	528,015
Long-term debt, less current maturities	**1,465,487**	1,534,072
Total liabilities	**2,929,169**	3,123,045
Commitments and contingencies *(Note 13)*	**–**	–
Net assets:		
Without donor restrictions – controlling interest	**3,826,317**	3,957,984
Without donor restrictions – non-controlling interest	**13,918**	24,136
With donor restrictions	**289,279**	327,016
Total net assets	**4,129,514**	4,309,136
Total liabilities and net assets	**$ 7,058,683**	$ 7,432,181

See notes to consolidated financial statements.

Sanford

Consolidated Statements of Operations

(In Thousands)

	Year Ended December 31	
	2022	**2021**
Operating revenues:		
Patient revenue	**$ 4,200,704**	$ 4,115,069
Resident revenue	**793,718**	766,947
Premium revenue	**888,019**	1,149,584
Other operating revenue	**1,202,936**	1,107,143
Total operating revenues	**7,085,377**	7,138,743
Operating expenses:		
Salaries and benefits	**3,539,098**	3,503,522
Supplies	**1,275,607**	1,204,491
Purchased services and other	**1,218,739**	1,019,141
Medical claims	**556,210**	741,606
Depreciation and amortization	**259,513**	250,545
Interest	**48,317**	51,815
Total operating expenses	**6,897,484**	6,771,120
Income from operations	**187,893**	367,623
Non-operating (expense) income:		
Investment (loss) return	**(296,715)**	11,471
Other expenses	**(42,504)**	(31,739)
Net non-operating expense	**(339,219)**	(20,268)
(Deficiency) excess of revenues over expenses from continuing operations	**(151,326)**	347,355
Loss from discontinued operations	**(12,130)**	(107,124)
Plus deficiency of revenues over expenses attributable to non-controlling interest	**10,218**	2,033
(Deficiency) excess of revenues over expenses attributable to controlling interest	**$ (153,238)**	$ 242,264

See notes to consolidated financial statements.

Sanford

Consolidated Statements of Changes in Net Assets
(In Thousands)

	Year Ended December 31	
	2022	**2021**
Net assets without donor restrictions – controlling interest:		
(Deficiency) excess of revenues over expenses attributable to controlling interest	**$ (153,238)**	$ 242,264
Net assets released from restrictions for acquisition of property and equipment	**2,750**	3,561
Pension plan related changes	**18,185**	26,704
Other changes in net assets	**636**	(1,778)
(Decrease) increase in net assets without donor restrictions – controlling interest	**(131,667)**	270,751
Net assets without donor restrictions – non-controlling interest:		
Deficiency of revenues over expenses	**(10,218)**	(2,033)
Contributions from non-controlling interests	**–**	10
Decrease in net assets without donor restrictions – non-controlling interest	**(10,218)**	(2,023)
Net assets with donor restrictions:		
Contributions	**12,323**	16,550
Investment (loss) return	**(30,172)**	22,588
Net assets released from restrictions	**(19,888)**	(58,602)
Decrease in net assets with donor restrictions	**(37,737)**	(19,464)
(Decrease) increase in net assets	**(179,622)**	249,264
Net assets – beginning of year	**4,309,136**	4,059,872
Net assets – end of year	**$ 4,129,514**	$ 4,309,136

See notes to consolidated financial statements.

Sanford

Consolidated Statements of Cash Flows

(In Thousands)

	Year Ended December 31	
	2022	**2021**
Operating activities		
(Decrease) increase in net assets	**$ (179,622)**	$ 249,264
Decrease in net assets from discontinued operations	**4,696**	68,930
(Decrease) increase in net assets from continuing operations	**(174,926)**	318,194
Adjustments to reconcile increase in net assets from continuing operations to cash flows from continuing operating activities:		
Net realized and unrealized market loss (gain) on investments	**385,491**	(2,009)
Depreciation and amortization	**259,513**	250,545
Pension plan related changes	**(18,185)**	(26,704)
Contributions into non-controlling interest	**–**	(11)
Contributions restricted for long-lived purposes	**(5,661)**	(6,844)
Other changes in net assets	**13,334**	85,298
Changes in other operating elements:		
Accounts receivable and other assets	**(153,625)**	(51,719)
Accounts payable and other current liabilities	**(107,088)**	146,624
Deferred compensation liability	**(27,350)**	14,126
Other liabilities	**27,360**	(15,209)
Cash flows from continuing operating activities	**198,863**	712,291
Cash flows used in discontinued operating activities	**(2,004)**	(68,583)
Cash flows from operating activities	**196,859**	643,708
Investing activities		
Acquisition of property and equipment	**(235,826)**	(259,431)
Proceeds from sale of property and equipment	**39,616**	7,076
Purchases of investments and deferred compensation assets	**(234,502)**	(759,906)
Proceeds from sale of investments and deferred compensation assets	**232,176**	314,163
Increase in other assets	**(26,642)**	(4,469)
Cash flows used in continuing investing activities	**(225,178)**	(702,567)
Cash flows (used in) from discontinued investing activities	**(224)**	2,521
Cash flows used in investing activities	**(225,402)**	(700,046)

Sanford

Consolidated Statements of Cash Flows (continued)

(In Thousands)

	Year Ended December 31	
	2022	**2021**
Financing activities		
Proceeds from issuance of long-term debt	**$ –**	$ 259,845
Extinguishment of long-term debt	**–**	(130,017)
Repayment of long-term debt	**(61,938)**	(51,732)
Net decrease of bond discounts, premiums and deferred financing costs	**(6,230)**	(13,290)
Proceeds from residential housing deposits and annuities issued	**16,508**	15,037
Refunds of residential housing deposits	**(17,660)**	(15,809)
Contributions into non-controlling interest	**–**	11
Proceeds from contributions restricted for long-lived purposes	**5,661**	6,844
Cash flows (used in) from continuing financing activities	**(63,659)**	70,889
Cash flows used in discontinued financing activities	**(243)**	(673)
Cash flows (used in) from financing activities	**(63,902)**	70,216
(Decrease) increase in cash and cash equivalents	**(92,445)**	13,878
Cash and cash equivalents – beginning of year	**402,003**	388,125
Cash and cash equivalents – end of year	**$ 309,558**	$ 402,003
Supplemental disclosures of non-cash investing and financing activities		
Property and equipment funded through accounts payable	**$ 10,836**	$ 14,508
Right-of-use asset financed by operating lease liabilities	**32,952**	21,036
Supplemental disclosure of cash flow information		
Cash paid for interest	**$ 56,457**	$ 50,573
Reconciliation of cash and cash equivalents		
Cash	**$ 217,637**	$ 272,385
Cash included in other current assets	**205**	221
Cash equivalents included in assets held for sale	**8,459**	10,930
Cash equivalents included in assets whose use is limited	**83,257**	118,467
	$ 309,558	$ 402,003

See notes to consolidated financial statements.

1. Nature of Organization

Sanford, a nonprofit corporation headquartered in Sioux Falls, South Dakota, is the largest rural health system in the United States and is dedicated to transforming the health care experience and providing access to world-class health care in America's heartland. Sanford, and its wholly owned subsidiaries, serves more than one million patients and 200,000 health plan members across 250,000 square miles. The integrated health system has 46 medical centers, 220 clinic locations, 2,800 Sanford physicians and advanced practice providers delivering care in more than 80 specialties, 170 clinical investigators and research scientists, more than 200 Good Samaritan Society senior care locations and world clinics in 8 countries around the globe.

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.

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 that affect the reported amounts and disclosures of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated 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.

Cash equivalents included in other current assets, assets held for sale, and assets whose use is limited include investments with maturities of 90 days or less from the date of purchase that have not otherwise been classified as long-term assets due to a designation for long-term purposes.

2. Summary of Significant Accounting Policies (continued)

Inventories

Inventories are reported at the 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 method.

Investments and Investment Return

Investments in equity securities with readily determinable fair values and all investments in debt securities are recorded at fair value in the consolidated balance sheets. Alternative investments that do not have readily determinable fair values are recorded at net asset value (NAV). 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.

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 (expense) 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 improvements	8–25 years
Buildings	20–40 years
Building equipment	5–25 years
Moveable equipment	3–20 years

2. Summary of Significant Accounting Policies (continued)

Management annually reviews the carrying value of long-lived assets for potential impairment. During 2022, damages caused by Hurricane Ian in Florida to a senior care campus resulted in $50,526 of impairment losses for the year ended December 31, 2022 and are included within depreciation and amortization expense, offset by $50,526 of anticipated insurance proceeds recorded within other operating revenue on the consolidated statement of operations and accounts receivable on the consolidated balance sheet. There were no impairment losses during the year ended December 31, 2021.

Non-operating Property

Non-operating property consists primarily of real estate held for future development and other non-operating property. Real estate is recorded at the lower of cost or market value at the time of classification, while non-operating retail property is recorded at net book value.

Right-of-Use Asset and Operating Lease Liabilities

Sanford leases various facilities and equipment under noncancelable operating leases expiring at various dates through February 2042 and records the corresponding right-of-use asset and operating lease liabilities on the consolidated balance sheets. 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 leases on the consolidated balance sheets. The majority of leases do not provide an implicit rate; therefore, Sanford has elected to use a rate that approximates its incremental borrowing rate, which is the interest rate Sanford would borrow on a collateralized basis over a similar term, as the discount rate. Sanford excludes operating leases with terms of 12 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 and is not amortized. The balance was $68,092 as of both December 31, 2022 and 2021. The annual impairment test was performed resulting in no impairment charges for the years ended December 31, 2022 and 2021.

2. Summary of Significant Accounting Policies (continued)

Intangible assets are amortized over the terms of the agreements. The balance, net of accumulated amortization, was $14,365 and $16,672 as of December 31, 2022 and 2021, respectively.

Notes Receivable

As part of the recruitment and retention process, notes with forgiveness provisions may be issued to certain providers, employees and students. Notes are repayable over periods varying from one to ten years and are issued at current interest rates. As of December 31, 2022 and 2021, notes receivable from providers and employees totaled $64,136 and $47,193, respectively, 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

Sanford's health plan companies are at risk for certain medical costs of their members, up to reinsurance limits. Reserves for medical claims are recorded in medical claims payable in the consolidated balance sheets and include amounts based on management's estimate for claims, which are expected to be paid after the consolidated balance sheet date, for services provided to members during the policy period. The estimate of costs incurred for obligations to provide services are based on both claims reported to Sanford's health plan companies, along with actuarial estimates of incurred but not yet reported medical services.

The portion of the liability for unpaid medical claims that are derived from actuarial estimates are developed from historical data, cost trends, member and product mix, seasonality, utilization of healthcare services, contracted rates, and other relevant data. The estimates may change as actuarial methods change or as underlying facts upon which estimates are based change. While variability is inherent in these estimates, management believes the reserve for unpaid medical claims is adequate. The estimates are continually reviewed and adjusted as necessary. Any adjustments are included in current operations.

2. Summary of Significant Accounting Policies (continued)

Deferred Compensation

Sanford offers management and providers the ability to participate in nonqualified 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 noncurrent liabilities.

Residential Housing Deposits

Housing deposits received from senior care residents in advance for admittance into residential units are typically refundable back to the resident upon their departure from residing in the unit. In certain limited instances, the deposit received in advance for admittance is nonrefundable 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. The current portion of the deposits are reported as current portion of other liabilities on the consolidated balance sheets.

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 with restrictions, and their subsequent investment return, 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) income, or releases for acquisitions of property and equipment. Donor restricted gifts which restrictions are met within the same year as received are reported as contributions without donor restrictions.

2. Summary of Significant Accounting Policies (continued)

Gifts received in advance of meeting the condition associated with the gift are recorded as deferred revenue. Amounts to which the condition will be met within one year are reported as within current portion of other liabilities and amounts to which the condition will be met after one year are reported as other non-current liabilities on the consolidated balance sheets. Once the condition for the gift is met, donation revenue is recorded within other operating revenue.

Non-controlling Interest

Sanford has control, but less than 100% ownership in certain entities and, accordingly, has consolidated them into the financial statements for the years ended December 31, 2022 and 2021. The net assets attributed to the non-controlling interests 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 patients, residents, and communities. All activities directly associated with this objective are considered operating activities. Non-operating activities primarily include investment return 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 patient revenue or resident revenue. The total cost of charity care (estimated by applying an overall cost to charge ratio to the charges incurred) was $93,117 and $91,995 for the years ended December 31, 2022 and 2021, respectively.

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

2. Summary of Significant Accounting Policies (continued)

Premium Revenue

Premium revenue represents gross premiums earned in the year for which fully insured members 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 current liabilities.

Other Operating Revenue

Other operating revenue is primarily generated by pharmacies, reference labs, mobile diagnostic services, and various other operations and are recognized when services are performed, or products are delivered. Other operating revenue also includes contributions without donor restrictions, grant revenue, and COVID-19 related revenue.

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 bases 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 $817 and $5,966 have been recorded in other assets as of December 31, 2022 and 2021, respectively.

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, 2022 and 2021.

2. Summary of Significant Accounting Policies (continued)

Performance Indicators

The accompanying consolidated statements of operations includes income from operations as an operating measure of the net of revenues, gains, and expenses generated from healthcare related services that advance the objectives of Sanford. Income from operations excludes (expenses) income from other sources and (expenses) income that are not expected to recur on an annual ongoing basis. The exclusion of these items helps improve the comparability of Sanford's income from operations operating measure year-to-year, while also improving comparability across other similarly sized healthcare providers.

The accompanying consolidated statements of operations also includes (deficiency) excess of revenues over expenses attributable to controlling interest as a performance measure of all non-operating activity, discontinued operations activity and non-controlling interest changes, in addition to the income from operations operating measure. (Deficiency) excess of revenues over expenses attributable to controlling interest excludes pension plan-related changes and long-lived assets acquired using contributions.

Subsequent Events

Sanford has evaluated subsequent events through March 29, 2023, the date this report was issued, and no additional significant events have been identified other than matters disclosed in Notes 10 and 12.

3. Patient Revenue, Resident Revenue, and Accounts Receivable

Patient revenue and 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, 2022, will be satisfied in full in 2023.

3. Patient Revenue, Resident Revenue, and Accounts Receivable (continued)

The initial estimate of patient and resident revenue is determined by reducing the gross charge by explicit price concessions (contractual adjustments) arising from various reimbursement arrangements with third-party payors and implicit price concessions 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 carry insurance for the health services they are receiving. 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 insurance 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 adjustments to patient service revenue or resident revenue in the period of the change. Such changes for the years ended December 31, 2022 and 2021 were not material.

(Dollar Amounts in Thousands)

3. Patient Revenue, Resident Revenue, and Accounts Receivable (continued)

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

	Patient		Resident	
	2022	**2021**	**2022**	**2021**
Revenue:				
Medicare	**31.9%**	32.3%	**14.4%**	15.2%
Medicaid	**12.2**	11.9	**45.4**	46.0
Blue Cross	**26.8**	27.2	**0.0**	0.0
Other third-party payors	**27.3**	26.6	**9.2**	9.3
Self-pay and other	**1.8**	2.0	**31.0**	29.5
	100.0%	100.0%	**100.0%**	100.0%
Accounts receivable:				
Medicare	**24.9%**	22.1%	**16.1%**	19.3%
Medicaid	**10.8**	9.7	**38.7**	39.5
Blue Cross	**20.2**	22.6	**0.0**	–
Other third-party payors	**30.9**	31.6	**19.1**	19.8
Self-pay and other	**13.2**	14.0	**26.1**	21.4
	100.0%	100.0%	**100.0%**	100.0%

4. Fair Value Measurements

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. A three-level value hierarchy is used 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 Accounting Standards Codification 820, *Fair Value Measurement*, 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, 2022 and 2021.

4. Fair Value Measurements (continued)

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 10. There were no financial assets recorded at fair value classified as Level 3 as of December 31, 2022 and 2021.

(Dollar Amounts in Thousands)

4. Fair Value Measurements (continued)

Financial assets measured at fair value are summarized in the following tables:

	Level 1	Level 2	Total
December 31, 2022			
Assets:			
Money market funds	**$ 344,588**	**$ –**	**$ 344,588**
Equity mutual and exchange traded funds	**191,864**	**–**	**191,864**
Common stocks	**594**	**–**	**594**
Participant-directed deferred compensation assets	**164,012**	**–**	**164,012**
Fixed income mutual and exchange traded funds	**579,354**	**–**	**579,354**
U.S. government securities	**49,120**	**–**	**49,120**
Government sponsored enterprise securities	**–**	**17,816**	**17,816**
Government sponsored enterprise mortgage backed securities	**–**	**13,539**	**13,539**
Corporate debt securities	**–**	**605,831**	**605,831**
Municipal bonds	**–**	**274,870**	**274,870**
Other	**–**	**14,513**	**14,513**
Total assets valued at fair value	**$ 1,329,532**	**$ 926,569**	**2,256,101**
Investments recorded at fair value based on net asset value			**115,351**
			$ 2,371,452
Assets reported as:			
Short-term investments			**$ 296,071**
Debt service funds in other current assets			**206**
Investments			**1,827,905**
Assets whose use is limited:			
Regulatory and reserve funds			**83,258**
Deferred compensation funds			**164,012**
			$ 2,371,452

(Dollar Amounts in Thousands)

4. Fair Value Measurements (continued)

	Level 1	Level 2	Total
December 31, 2021			
Assets:			
Money market funds	$ 400,813	$ –	$ 400,813
Equity mutual and exchange traded funds	203,215	–	203,215
Common stocks	7,214	–	7,214
Participant-directed deferred compensation assets	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	$ 1,507,288	$ 1,169,302	2,676,590
Investments recorded at fair value based on net asset value			113,251
			$ 2,789,841
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
			$ 2,789,841

(Dollar Amounts in Thousands)

4. Fair Value Measurements (continued)

A portion of Sanford's investment portfolio is in alternative investments, which generally consist of limited partnerships that invest in domestic and global equities or real estate that are not readily marketable and, as a result, 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 values of the securities held by the limited partnerships that do not have readily determinable values are based on historical cost, appraisals, operating performance or other valuation estimates that require varying degrees of judgment and qualitative observations. There is inherent uncertainty in such valuations, and the estimated fair values may differ from the values that would have been used had a ready market for the securities existed. Generally, the investment balance of Sanford's holdings in alternative investments reflects net contributions to the partnerships and Sanford's share of realized and unrealized investment income and expenses.

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.

Alternative investments consisted of the following:

	NAV			Redemption Frequency	Redemption
	December 31		Unfunded	(if Currently	Notice
	2022	**2021**	**Commitments**	**Eligible)**	**Period**
Domestic and global equities	**$ 77,865**	$ 70,866	$ 6,813	Limited	N/A
Real estate private equities	**18,881**	22,994	–	Limited	N/A
Real estate private equities	**10,589**	9,700	–	Quarterly	2 days
Private debt securities	**8,016**	9,691	–	Quarterly	30 days
	$ 115,351	$ 113,251	$ 6,813		

(Dollar Amounts in Thousands)

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:

	2022	2021
Cash	**$ 217,637**	$ 272,385
Short-term investments	**296,071**	323,914
Accounts receivable	**868,796**	724,239
Debt service funds in other current assets	**205**	221
Notes and contributions receivable in other current assets	**23,984**	20,741
Investments, less alternative investments	**1,712,554**	2,042,834
	$ 3,119,247	$ 3,384,334

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.

As discussed in Note 12, in February 2023, Sanford entered into a line of credit agreement totaling $200,000.

(Dollar Amounts in Thousands)

6. Investment Return

The following schedule summarizes investment return and its classification in the consolidated statements of operations and changes in net assets:

	Year Ended December 31	
	2022	**2021**
Without donor restrictions – other operating revenue:		
Dividend and interest income	**$ 32,926**	$ 31,945
Without donor restrictions – non-operating (expense) income:		
Dividend and interest income	**54,934**	28,270
Net realized (loss) gain on sales of investments	**(2,157)**	1,494
Unrealized loss	**(349,492)**	(18,293)
	(296,715)	11,471
With donor restrictions:		
Dividend and interest income	**3,670**	3,782
Net realized gain on sales of investments	**374**	3,906
Unrealized (loss) gain	**(34,216)**	14,902
	(30,172)	22,590
	$ (293,961)	$ 66,006

7. Property and Equipment

Property and equipment consisted of the following:

	December 31	
	2022	**2021**
Land and land improvements	**$ 558,367**	$ 523,473
Buildings	**3,253,955**	3,335,246
Building equipment	**511,455**	474,087
Movable equipment	**1,450,504**	1,462,690
Construction in process	**113,351**	108,084
	5,887,632	5,903,580
Accumulated depreciation	**(3,073,148)**	(3,015,801)
	$ 2,814,484	$ 2,887,779

(Dollar Amounts in Thousands)

8. Investment in Joint Ventures

Sanford records investments in joint ventures using the equity method. Earnings and losses are included within other operating revenue. As of December 31, 2022 and 2021, 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 is as follows:

	December 31 2022	December 31 2021
Total assets	**$ 141,972**	$ 141,314
Total operating revenues	**113,458**	93,637
Income from operations	**8,382**	7,797

Sanford's share of net gains, new equity contributions, and distributions received from joint ventures are summarized as follows:

	Year Ended December 31 2022	Year Ended December 31 2021
Net gains on investments in joint ventures	**$ 2,434**	$ 2,256
New equity contributions into joint ventures	**3,530**	3,352
Distributions received from joint ventures	**1,886**	1,674

9. Operating Leases

Future payments due under operating leases are as follows:

Years ending December 31:	
2023	$ 22,806
2024	16,824
2025	14,040
2026	11,493
2027	9,266
Thereafter	29,715
	104,144
Less present value discount	(14,739)
	$ 89,405

9. Operating Leases (continued)

Operating lease liabilities are calculated as the present value of the remaining lease payments. The weighted average discount rate for operating leases was 4.5% and 4.7% for the years ended December 31, 2022 and 2021, respectively. The weighted average remaining lease term for operating leases was 7.2 years for the year ended December 31, 2022. Lease expense associated with operating leases was $29,092 and $28,705 for the years ended December 31, 2022 and 2021, respectively.

10. 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 $117,418 and $112,066 were recognized as part of salaries and benefits for the years ended December 31, 2022 and 2021, respectively.

Defined Benefit Pension Plans

Sanford had two defined benefit pension plans that provided benefits based on years of service and compensation (the Master Plan and the Bismarck Plan, collectively referred to as the plans). In December 2022, Sanford's Board of Trustees passed a resolution to freeze and terminate the plans in 2023. The resolution to freeze plan benefits triggered pension curtailment accounting and resulted in a net curtailment gain. On December 31, 2022, the Bismarck Plan merged, and the corresponding participants moved into, the Master Plan. The Master Plan is closed to new participants; however, the Master Plan has active employees accruing benefits.

Subsequently, in February 2023, Sanford amended the Master Plan to freeze and terminate the plan effective March 31, 2023.

(Dollar Amounts in Thousands)

10. Pension Plans (continued)

Obligation and Funded Status

Defined benefit pension obligations and funded status are measured as of, and changes for the years then ended, are as follows:

	Master Plan		Bismarck Plan	
	2022	**2021**	**2022**	**2021**
Change in benefit obligation:				
Benefit obligation, beginning of year	**$ 226,915**	$ 242,408	**$ 145,781**	$ 151,841
Service cost	**337**	472	**1,250**	1,488
Interest cost	**6,408**	5,923	**4,163**	3,826
Actuarial gain	**(49,869)**	(9,952)	**(33,366)**	(4,861)
Benefits paid	**(12,364)**	(11,936)	**(6,790)**	(6,513)
Merger in to Master Plan	**111,038**	–	**(111,038)**	–
Curtailments	**(4,356)**	–	**–**	–
Benefit obligation, end of year	**$ 278,109**	$ 226,915	**$ –**	$ 145,781
Change in plan assets:				
Fair value of plan assets, beginning of year	**$ 216,271**	$ 202,845	**$ 133,135**	$ 124,862
(Loss) gain on plan assets	**(30,974)**	16,122	**(22,978)**	11,186
Employer contributions	**4,840**	9,240	**2,100**	3,600
Benefits paid	**(12,364)**	(11,936)	**(6,790)**	(6,513)
Merger in to Master Plan	**105,467**	–	**(105,467)**	–
Fair value of plan assets, end of year	**$ 283,240**	$ 216,271	**$ –**	$ 133,135
Funded status:				
Benefit obligation (less than) in excess of plan assets	**$ (5,131)**	$ 10,644	**$ –**	$ 12,646
Amounts recognized in net assets without donor restrictions consisting of net actuarial loss	**$ 47,046**	$ 52,202	**$ –**	$ 13,666
Accumulated benefit obligation	**$ 277,880**	$ 225,834	**$ –**	$ 139,884
Weighted average of assumptions used to determine end of year obligations:				
Discount rate	**5.50%**	2.90%	**n/a**	2.90%
Rate of compensation increase	**3.00**	3.00	**n/a**	3.00

(Dollar Amounts in Thousands)

10. Pension Plans (continued)

Components of Net Periodic Pension Benefit

	Master Plan		Bismarck Plan	
	2022	**2021**	**2022**	**2021**
Service cost	**$ 337**	$ 472	**$ 1,250**	$ 1,488
Interest cost	**6,408**	5,923	**4,163**	3,826
Expected return on plan assets	**(10,179)**	(11,512)	**(6,574)**	(7,404)
Amortization of actuarial loss	**1,935**	2,622	**–**	908
Net periodic pension benefit	**$ (1,499)**	$ (2,495)	**$ (1,161)**	$ (1,182)
Weighted average of assumptions used to determine net periodic pension benefit:				
Discount rate	**2.90%**	2.50%	**2.90%**	2.55%
Plan assets expected long-term rate of return	**5.00**	6.00	**5.00**	6.00
Rate of compensation increase	**3.00**	3.00	**3.00**	3.00

Service cost is included in salaries and benefits expense and all other components of the net periodic pension benefit are included in other expenses within non-operating (expense) income.

The funded status, or comparison of plan assets and plan liabilities, of the pension plans significantly improved during 2022, resulting in a change in classification from a liability of $23,290 reported as an other liability at December 31, 2021, to a pension asset of $5,131 reported as other assets on the consolidated balance sheet at December 31, 2022, driven largely by the increase in discount rate as a result of the rising interest rate environment throughout 2022.

Plan Assets

The pension plan weighted average asset allocations, by asset category, was as follows:

	Master Plan December 31		Bismarck Plan December 31	
	2022	**2021**	**2022**	**2021**
Equity investments	**10%**	31%	**n/a**	39%
Debt investments	**89**	67	**n/a**	60
Cash equivalents	**1**	2	**n/a**	1
	100%	100%	**n/a**	100%

(Dollar Amounts in Thousands)

10. Pension Plans (continued)

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; however, with the anticipated plan termination, Sanford adjusted the investment allocation between fixed income and equity investments to preserve the plan's funded status and mitigate risk exposure until final settlement of the plan. The expected long-term rate of return for the plan is based on historical experience and the go forward investment allocation. 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:

	Level 1	Level 2	Total
December 31, 2022			
Master Plan:			
Money market funds	**$ 2,088**	**$ –**	**$ 2,088**
Equity mutual and exchange traded funds	**28,059**	**–**	**28,059**
Fixed income mutual and exchange traded funds	**166,318**	**–**	**166,318**
U.S. government securities	**13,337**	**–**	**13,337**
Government sponsored enterprise securities	**–**	**7,259**	**7,259**
Government sponsored enterprise mortgage backed securities	**–**	**2,358**	**2,358**
Corporate debt securities	**–**	**33,188**	**33,188**
Municipal bonds	**–**	**28,882**	**28,882**
Other	**–**	**1,752**	**1,750**
	$ 209,802	**$ 73,439**	**$ 283,240**

(Dollar Amounts in Thousands)

10. Pension Plans (continued)

	Level 1	Level 2	Total
December 31, 2021			
Master Plan:			
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
	$ 127,933	$ 88,338	$ 216,271
Bismarck Plan:			
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
	$ 133,135	$ –	$ 133,135

As a result of the curtailment, Sanford does not expect to recognize amortization of net actuarial loss for the year ending December 31, 2023.

(Dollar Amounts in Thousands)

10. Pension Plans (continued)

Benefit Payments

The following benefits are expected to be paid:

	Master Plan
Years ending December 31:	
2023	$ 20,230
2024	20,932
2025	21,475
2026	21,739
2027	21,925
2028–2032	108,254

Sanford does not expect to make contributions into the defined benefit plan for the year ending December 31, 2023.

11. Residential Housing Deposits

Residential housing deposits consisted of the following:

	December 31 2022	2021
Refundable portion	**$ 121,035**	$ 124,556
Nonrefundable portion	**16,268**	17,440
Total residential housing deposits	**137,303**	141,996
Less current portion	**(19,570)**	(17,970)
	$ 117,733	$ 124,026

(Dollar Amounts in Thousands)

12. Long-Term Debt

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.

Long-term debt consisted of the following:

	Interest Structure	Interest Rates	Final Maturity	December 31 2022	2021
Bonds payable:					
Series 1997	Variable	0.78% to 4.96%	November 2027	**$ 1,745**	$ 2,375
Series 2000	Variable	0.38% to 4.56%	November 2025	**945**	1,230
Series 2004B	Variable	1.18% to 5.36%	November 2034	**12,510**	12,925
Series 2010	Fixed	3.38%	December 2025	**997**	1,330
Series 2012A	Fixed	1.83%	September 2024	**7,190**	12,200
Series 2012B	Fixed	2.39%	September 2031	**23,955**	25,700
Series 2012C	Fixed	1.38%	September 2024	**390**	705
Series 2012D	Fixed	1.97%	September 2032	**25,780**	27,970
Series 2014A	Fixed	4.00%	November 2034	**52,000**	52,000
Series 2014B	Fixed	4.00% to 5.00%	November 2044	**161,215**	165,205
Series 2015	Fixed	4.00% to 5.00%	November 2045	**151,055**	155,410
Series 2016	Fixed	1.92%	November 2026	**20,000**	25,000
Series 2019A	Fixed	4.00% to 5.00%	November 2049	**321,030**	333,650
Series 2019B	Fixed	2.24% to 3.85%	November 2049	**359,265**	367,895
Series 2021	Fixed	0.59% to 3.17%	November 2052	**246,555**	249,845
Total bonds payable				**1,384,632**	1,433,440
Notes payable:					
Bank notes	Fixed	1.52% to 2.50%	April 2032	**71,840**	81,456
Other	Fixed	0.00% to 2.85%	June 2031	**9,500**	11,752
Total notes payable				**81,340**	93,208
Finance lease obligation	Fixed	8.00%	June 2023	**703**	1,965
Net unamortized bond premiums and deferred financing costs				**67,012**	73,242
Total debt				**1,533,687**	1,601,855
Less current maturities				**(68,200)**	(67,783)
Total long-term portion of debt				**$ 1,465,487**	$ 1,534,072

(Dollar Amounts in Thousands)

12. Long-Term Debt (continued)

Subsequently, in February 2023, Sanford entered into a line of credit agreement with U.S. Bank National Association under which it may advance up to $200,000. The line of credit, subject to a variable interest rate, will expire on February 1, 2024 and is an obligation of the Obligated Group secured by a note issued under the first amended and restated Master Trust Indenture.

Relating to Series 1997 and 2000, the Obligated Group provides internal liquidity support in the event respective bonds are tendered for repurchase and not remarketed and, as such, the outstanding principal has been classified as a current maturity of long-term debt.

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.

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 coverage of annual debt service and financial position, as defined in the agreements. Sanford was in compliance with the financial covenants as of December 31, 2022 and 2021.

Scheduled principal payments of long-term debt as of December 31, 2022 are as follows:

	Bonds Payable	**Notes Payable**	**Finance Lease Obligations**	**Total**
Years ending December 31:				
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
2027	48,870	12,883	–	61,753
Thereafter	1,139,040	15,275	–	1,154,315
Less interest	–	–	(24)	(24)
	$ 1,384,632	$ 81,340	$ 703	$ 1,466,675

13. Commitments and Contingencies

Professional Liability

Sanford carries professional and general liability insurance through a combination of self-insured retention and commercial insurance carriers. Amounts accrued as current portion of other liabilities and other noncurrent liabilities on the consolidated balance sheets. The current claims made policy provides for a self-insured retention for both professional and general liability with up to an $18,000 annual aggregate as of December 31, 2022.

Excess coverage of $80,000 for hospital and clinics and $115,000 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 noncurrent 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 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, 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.

(Dollar Amounts in Thousands)

13. Commitments and Contingencies (continued)

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 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.

14. 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:

	2022	2021
Net assets subject to expenditures for specific purposes:		
Women's health	**$ 59,812**	$ 63,305
Senior care	**13,393**	15,563
Children's fitness	**8,292**	9,143
Affordable housing projects – held for sale	**–**	352
Programs, services and equipment	**88,633**	121,240
	170,130	209,603
Net assets to be held in perpetuity:		
Endowments, income restricted by donors	**113,328**	111,926
Endowments, income not restricted by donors	**5,821**	5,487
	119,149	117,413
Net assets with donor restrictions	**$ 289,279**	$ 327,016

Changes in net assets with donor restrictions that are to be held in perpetuity were as follows:

	Year Ended December 31	
	2022	**2021**
Beginning of year	**$ 117,413**	$ 113,170
Contributions	**3,128**	3,644
Investment (loss) return and other	**(1,392)**	599
End of year	**$ 119,149**	$ 117,413

(Dollar Amounts in Thousands)

14. Net Assets With Donor Restrictions (continued)

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, 2022.

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 various purposes were as follows:

	Year Ended December 31	
	2022	**2021**
Operating expenses	**$ 16,788**	$ 15,882
Property and equipment	**2,750**	3,561
	$ 19,538	$ 19,443

15. Functional Expenses

Sanford provides healthcare, senior care, and healthcare financing services to meet the needs of individuals. The consolidated 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 were as follows:

	Healthcare	Senior Care	Health Plan	Research and Other	General	Total
Year ended December 31, 2022						
Salaries and benefits	**$ 2,661,825**	**$ 533,832**	**$ 29,249**	**$ 50,454**	**$ 263,738**	**$ 3,539,098**
Supplies	**1,165,768**	**79,949**	**222**	**14,668**	**15,000**	**1,275,607**
Purchased services and other	**742,960**	**222,247**	**64,006**	**20,722**	**168,804**	**1,218,739**
Medical claims	**–**	**–**	**556,210**	**–**	**–**	**556,210**
Depreciation and amortization	**145,365**	**83,230**	**545**	**6,372**	**24,001**	**259,513**
Interest	**25,752**	**21,068**	**(5)**	**279**	**1,223**	**48,317**
Total	**$ 4,741,670**	**$ 940,326**	**$ 650,227**	**$ 92,495**	**$ 472,766**	**$ 6,897,484**

(Dollar Amounts in Thousands)

15. Functional Expenses (continued)

	Healthcare	Senior Care	Health Plan	Research and Other	General	Total
Year ended December 31, 2021						
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	$ 4,458,294	$ 908,408	$ 822,055	$ 93,030	$ 489,333	$ 6,771,120

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

16. 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 Act and the Paycheck Protection Program and Health Care Enhancement Act (collectively referred to as CARES Act), allocating funding to individuals or businesses affected by the pandemic and economic downturn. In March 2021, Congress passed the American Rescue Plan Act of 2021, providing additional relief for the continued impact of COVID-19 on public health, state and local governments, individuals, and businesses.

Certain portions of these acts were aimed directly at supporting healthcare organizations. The recognition of amounts received by healthcare organizations is 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.

For the years ended December 31, 2022 and 2021, Sanford recognized $42,221 and $125,611, respectively, of COVID-19 related revenue into other operating revenue. These funds were predominantly received or sourced from healthcare programs within the CARES Act and American Rescue Plan Act of 2021.

16. COVID-19 (continued)

The COVID-19 funding Sanford has received is not subject to repayment, provided Sanford is able to attest to and comply with the terms and conditions of the funds 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 COVID-19 funding received and recognized as of December 31, 2022 and has complied with all reporting requirements.

17. Assets and Liabilities Held for Sale and Discontinued Operations

Sanford is engaged with a qualified buyer to divest its affordable housing line of business. The divestiture is anticipated to be completed by the end of 2023.

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.

(Dollar Amounts in Thousands)

17. Assets and Liabilities Held for Sale and Discontinued Operations (continued)

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 consolidated statements of operations as of and for the years ended December 31, 2022 and 2021, 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.

	December 31	
	2022	**2021**
Assets held for sale:		
Cash	**$ 4,465**	$ 3,159
Other current assets and other assets	**375**	4,656
Assets whose use is limited	**3,839**	7,409
Property and equipment, net	**46,813**	69,693
Total assets held for sale	**$ 55,492**	$ 84,917
Liabilities held for sale:		
Current liabilities and noncurrent liabilities	**$ 976**	$ 16,568
Current and long-term debt	**18,694**	31,675
Total liabilities held for sale	**$ 19,670**	$ 48,243
Net assets:		
Without donor restrictions – controlling interest	**$ 23,517**	$ 14,218
Without donor restrictions – non-controlling interest	**12,305**	22,104
With donor restrictions	**–**	352
Total net assets	**$ 35,822**	$ 36,674

	Year Ended December 31	
	2022	**2021**
Loss from discontinued operations:		
Operating revenues	**$ 7,550**	$ 59,329
Operating expenses	**(7,349)**	(113,719)
Non-operating expense	**(12,331)**	(52,734)
Loss from discontinued operations	**$ (12,130)**	$ (107,124)

Supplementary Information

Sanford

Consolidating Balance Sheet

(In Thousands)

December 31, 2022

	Obligated Group	Other	Eliminations	Total
Assets				
Current assets:				
Cash	**$ 119,614**	**$ 98,023**	**$ –**	**$ 217,637**
Short-term investments	**210,531**	**85,540**	**–**	**296,071**
Accounts receivable	**841,999**	**84,800**	**(58,003)**	**868,796**
Inventories	**114,240**	**14,912**	**–**	**129,152**
Other current assets	**100,494**	**3,971**	**–**	**104,465**
Total current assets	**1,386,878**	**287,246**	**(58,003)**	**1,616,121**
Assets held for sale	**9,260**	**55,492**	**(9,260)**	**55,492**
Investments	**1,584,683**	**243,222**	**–**	**1,827,905**
Assets whose use is limited	**245,635**	**1,634**	**–**	**247,269**
Property and equipment, net	**2,751,099**	**63,385**	**–**	**2,814,484**
Other assets:				
Right-of-use asset	**77,843**	**9,696**	**–**	**87,539**
Investment in joint ventures	**37,722**	**11,576**	**–**	**49,298**
Non-operating property	**133,423**	**30,556**	**–**	**163,979**
Goodwill and intangible assets	**68,685**	**13,772**	**–**	**82,457**
Notes receivable	**49,903**	**6,202**	**–**	**56,105**
Other assets	**56,203**	**1,831**	**–**	**58,034**
Total other assets	**423,779**	**73,633**	**–**	**497,412**
Total assets	**$ 6,401,334**	**$ 724,612**	**$ (67,263)**	**$ 7,058,683**

Consolidating Balance Sheet (continued)
(In Thousands)

December 31, 2022

	Obligated Group	Other	Eliminations	Total
Liabilities and net assets				
Current liabilities:				
Current maturities of long-term debt	$ 68,200	$ –	$ –	$ 68,200
Current portion of other liabilities	106,938	9,577	–	116,515
Accounts payable	136,445	20,030	(12,134)	144,341
Accrued compensation and benefits	332,138	2,231	(16,398)	317,971
Medical claims payable	–	106,135	(29,471)	76,664
Other accruals and deferred revenue	69,120	121,906	–	191,026
Total current liabilities	712,841	259,879	(58,003)	914,717
Liabilities held for sale	–	28,930	(9,260)	19,670
Other liabilities:				
Operating leases	62,139	7,782	–	69,921
Deferred compensation	163,802	–	–	163,802
Defined benefit pension	–	–	–	–
Residential housing deposits	117,733	–	–	117,733
Other non-current liabilities	157,480	20,359	–	177,839
Total other liabilities	501,154	28,141	–	529,295
Long-term debt, less current maturities	1,465,487	–	–	1,465,487
Total liabilities	2,679,482	316,950	(67,263)	2,929,169
Commitments and contingencies *(Note 13)*	–	–	–	–
Net assets:				
Without donor restrictions – controlling interest	3,432,573	393,744	–	3,826,317
Without donor restrictions – non-controlling interest	–	13,918	–	13,918
With donor restrictions	289,279	–	–	289,279
Total net assets	3,721,852	407,662	–	4,129,514
Total liabilities and net assets	$ 6,401,334	$ 724,612	$ (67,263)	$ 7,058,683

See notes to consolidated financial statements.

Sanford

Consolidating Balance Sheet

(In Thousands)

December 31, 2021

	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	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

Sanford

Consolidating Balance Sheet (continued)
(In Thousands)

December 31, 2021

	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 13)*	–	–	–	–
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 Statement of Operations
(In Thousands)

Year Ended December 31, 2022

	Obligated Group	Other	Eliminations	Total
Operating revenues:				
Patient revenue	$ 4,347,613	$ 101,897	$ (248,806)	$ 4,200,704
Resident revenue	794,100	3,815	(4,197)	793,718
Premium revenue	–	888,019	–	888,019
Other operating revenue	1,149,373	74,398	(20,835)	1,202,936
Total operating revenues	6,291,086	1,068,129	(273,838)	7,085,377
Operating expenses:				
Salaries and benefits	3,426,011	124,321	(11,234)	3,539,098
Supplies	1,229,641	46,019	(53)	1,275,607
Purchased services and other	1,103,953	124,320	(9,534)	1,218,739
Medical claims	–	809,227	(253,017)	556,210
Depreciation and amortization	252,769	6,744	–	259,513
Interest	48,317	–	–	48,317
Total operating expenses	6,060,691	1,110,631	(273,838)	6,897,484
Income (loss) from operations	230,395	(42,502)	–	187,893
Non-operating expense:				
Investment loss	(252,986)	(43,729)	–	(296,715)
Other expenses	(34,317)	(8,187)	–	(42,504)
Net non-operating expense	(287,303)	(51,916)	–	(339,219)
Deficiency of revenues over expenses from continuing operations	(56,908)	(94,418)	–	(151,326)
Loss from discontinued operations	(1,211)	(10,919)	–	(12,130)
Plus deficiency of revenues over expenses attributable to non-controlling interest	–	10,218	–	10,218
Deficiency of revenues over expenses attributable to controlling interest	(58,119)	(95,119)	–	(153,238)
Net assets released from restrictions for acquisition of property and equipment	2,750	–	–	2,750
Pension plan related changes	18,185	–	–	18,185
Other changes in net assets	636	–	–	636
Transfers	(73,277)	73,277	–	–
Decrease in net assets without donor restrictions – controlling interest	$ (109,825)	$ (21,842)	$ –	$ (131,667)

See notes to consolidated financial statements.

Sanford

Consolidating Statement of Operations
(In Thousands)

Year Ended December 31, 2021

	Obligated Group	Other	Eliminations	Total
Operating revenues:				
Patient revenue	$ 4,335,742	$ 120,932	$ (341,605)	$ 4,115,069
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
Other (expenses) income	(35,835)	4,096	–	(31,739)
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 acquisition 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.

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, 2022:

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 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.

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