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, 2023 and 2022
With Report of Independent Auditors

Sanford

Consolidated Financial Statements and Supplementary Information

Years Ended December 31, 2023 and 2022

Contents

Ernst & Young LLP
Suite 500
700 Nicollet Mall
Minneapolis, MN 55402

Tel: +1 612 343 1000
ey.com

Report of Independent Auditors

The Board of Trustees
Sanford

Opinion

We have audited the consolidated financial statements of Sanford (the Company), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of operations and changes in net assets, and cash flows for the years 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 the Company at December 31, 2023 and 2022, and the results of its operations, changes in its net assets, 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 the Company 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 these 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 the Company's ability to continue as a going concern for one year after the date that the financial statements are issued.

Building a better working world

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 the Company'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 the Company'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 audits were 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

April 23, 2024

Sanford

Consolidated Balance Sheets

(In Thousands)

	December 31 2023	December 31 2022
Assets		
Current assets:		
Cash	**$ 105,545**	$ 217,637
Short-term investments	**285,632**	296,071
Accounts receivable	**936,994**	868,796
Inventories	**134,144**	127,931
Other current assets	**107,196**	104,261
Total current assets	**1,569,511**	1,614,696
Assets held for sale	**335,401**	444,371
Investments	**2,269,119**	1,827,905
Assets whose use is limited	**239,421**	246,874
Property and equipment, net	**2,511,593**	2,440,751
Right-of-use asset	**90,570**	87,031
Investment in joint ventures	**68,490**	49,298
Non-operating property	**138,759**	152,298
Goodwill and intangible assets	**70,765**	81,395
Notes receivable	**56,781**	56,105
Other assets	**49,421**	57,959
Total other assets	**474,786**	484,086
Total assets	**$ 7,399,831**	$ 7,058,683

Sanford

Consolidated Balance Sheets (continued)

(In Thousands)

	December 31	
	2023	**2022**
Liabilities and net assets		
Current liabilities:		
Current maturities of long-term debt	**$ 67,609**	$ 68,200
Current portion of other liabilities	**90,858**	107,081
Accounts payable	**136,254**	144,341
Accrued compensation and benefits	**329,980**	317,420
Medical claims payable	**75,778**	76,664
Other accruals and deferred revenue	**147,761**	183,961
Total current liabilities	**848,240**	897,667
Liabilities held for sale	**44,873**	87,626
Other liabilities:		
Operating leases	**74,783**	69,557
Deferred compensation	**200,980**	163,802
Residential housing deposits	**64,109**	67,191
Other non-current liabilities	**153,416**	177,839
Total other liabilities	**493,288**	478,389
Long-term debt, less current maturities	**1,398,906**	1,465,487
Total liabilities	**2,785,307**	2,929,169
Commitments and contingencies (Note 13)		
Net assets:		
Without donor restrictions – controlling interest	**4,318,190**	3,826,317
Without donor restrictions – non-controlling interest	**2,237**	13,918
With donor restrictions	**294,097**	289,279
Total net assets	**4,614,524**	4,129,514
Total liabilities and net assets	**$ 7,399,831**	$ 7,058,683

See notes to consolidated financial statements.

Sanford

Consolidated Statements of Operations

(In Thousands)

	Year Ended December 31	
	2023	**2022**
Operating revenues:		
Patient revenue	**$ 4,454,746**	$ 4,156,044
Resident revenue	**634,518**	600,529
Premium revenue	**940,435**	888,019
Other operating revenue	**1,196,238**	1,092,312
Total operating revenues	**7,225,937**	6,736,904
Operating expenses:		
Salaries and benefits	**3,500,854**	3,364,509
Supplies	**1,388,407**	1,248,266
Purchased services and other	**1,124,962**	1,137,596
Medical claims	**583,959**	556,210
Depreciation and amortization	**184,517**	195,896
Interest	**41,028**	42,123
Total operating expenses	**6,823,727**	6,544,600
Income from operations	**402,210**	192,304
Non-operating income (expense):		
Investment return (loss)	**146,484**	(296,719)
Other expenses	**(43,307)**	(42,790)
Net non-operating income (expense)	**103,177**	(339,509)
Excess (deficiency) of revenues over expenses from continuing operations	**505,387**	(147,205)
Loss from discontinued operations	**(22,255)**	(16,251)
Plus deficiency of revenues over expenses attributable to non-controlling interest	**11,681**	10,218
Excess (deficiency) of revenues over expenses attributable to controlling interest	**$ 494,813**	$ (153,238)

See notes to consolidated financial statements.

Sanford

Consolidated Statements of Changes in Net Assets

(In Thousands)

	Year Ended December 31	
	2023	**2022**
Net assets without donor restrictions – controlling interest:		
Excess (deficiency) of revenues over expenses attributable to controlling interest	**$ 494,813**	$ (153,238)
Net assets released from restrictions for acquisition of property and equipment	**7,428**	2,750
Pension plan related changes	**(10,318)**	18,185
Other changes in net assets	**(50)**	636
Increase (decrease) in net assets without donor restrictions – controlling interest	**491,873**	(131,667)
Net assets without donor restrictions – non-controlling interest:		
Deficiency of revenues over expenses	**(11,681)**	(10,218)
Decrease in net assets without donor restrictions – non-controlling interest	**(11,681)**	(10,218)
Net assets with donor restrictions:		
Contributions	**17,713**	12,323
Investment return (loss)	**20,062**	(30,172)
Net assets released from restrictions	**(32,957)**	(19,888)
Increase (decrease) in net assets with donor restrictions	**4,818**	(37,737)
Increase (decrease) in net assets	**485,010**	(179,622)
Net assets – beginning of year	**4,129,514**	4,309,136
Net assets – end of year	**$ 4,614,524**	$ 4,129,514

See notes to consolidated financial statements.

Sanford

Consolidated Statements of Cash Flows

(In Thousands)

	Year Ended December 31	
	2023	**2022**
Operating activities		
Increase (decrease) in net assets	**$ 485,010**	$ (179,622)
Decrease in net assets from discontinued operations	**43,760**	48,304
Increase (decrease) in net assets from continuing operations	**528,770**	(131,318)
Adjustments to reconcile increase (decrease) in net assets from continuing operations to cash flows from continuing operating activities:		
Net realized and unrealized market (gain) loss on investments	**(83,889)**	385,491
Depreciation and amortization	**184,517**	195,896
Pension plan related changes	**10,318**	(18,185)
Contributions restricted for long-lived purposes	**(2,933)**	(5,661)
Other changes in net assets	**9,427**	17,317
Changes in other operating elements:		
Accounts receivable and other assets	**(65,127)**	(153,368)
Accounts payable and other current liabilities	**(73,253)**	(103,725)
Deferred compensation liability	**37,178**	(27,350)
Other liabilities	**(37,934)**	27,599
Cash flows from continuing operating activities	**507,074**	186,696
Cash flows (used in) from discontinued operating activities	**(21,718)**	10,429
Cash flows from operating activities	**485,356**	197,125
Investing activities		
Acquisition of property and equipment	**(223,856)**	(221,433)
Proceeds from sale of property and equipment	**30,464**	36,344
Purchases of investments and deferred compensation assets	**(695,846)**	(234,502)
Proceeds from sale of investments and deferred compensation assets	**311,667**	232,176
Increase in other assets	**(19,351)**	(26,641)
Cash flows used in continuing investing activities	**(596,922)**	(214,056)
Cash flows from (used in) discontinued investing activities	**34,186**	(11,715)
Cash flows used in investing activities	**(562,736)**	(225,771)

Sanford

Consolidated Statements of Cash Flows (continued)

(In Thousands)

	Year Ended December 31	
	2023	**2022**
Financing activities		
Repayment of long-term debt	**$ (61,669)**	$ (61,938)
Net decrease of bond discounts, premiums, and deferred financing costs	**(5,503)**	(6,230)
Proceeds from residential housing deposits and annuities issued	**7,087**	8,025
Refunds of residential housing deposits	**(9,779)**	(8,014)
Proceeds from contributions restricted for long-lived purposes	**2,933**	5,661
Cash flows used in continuing financing activities	**(66,931)**	(62,496)
Cash flows used in discontinued financing activities	**(19,173)**	(1,303)
Cash flows used in financing activities	**(86,104)**	(63,799)
Decrease in cash and cash equivalents	**(163,484)**	(92,445)
Cash and cash equivalents – beginning of year	**309,558**	402,003
Cash and cash equivalents – end of year	**$ 146,074**	$ 309,558
Supplemental disclosures of non-cash investing and financing activities		
Property and equipment funded through accounts payable	**$ 18,710**	$ 10,836
Right-of-use asset financed by operating lease liabilities	**23,836**	32,952
Supplemental disclosure of cash flow information		
Cash paid for interest	**$ 55,315**	$ 56,457
Reconciliation of cash and cash equivalents		
Cash	**$ 105,545**	$ 217,637
Cash included in other current assets	**264**	206
Cash equivalents included in assets held for sale	**2,148**	8,853
Cash equivalents included in assets whose use is limited	**38,117**	82,862
	$ 146,074	$ 309,558

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 220,000 health plan members across 250,000 square miles. The integrated health system has 47 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, Good Samaritan Society senior care locations in multiple states, and world clinics 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 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 may exceed 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.

2. Summary of Significant Accounting Policies (continued)

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.

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 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 on the consolidated balance sheets. Alternative investments that do not have readily determinable fair values are recorded at net asset value (NAV) as a practical expedient. 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 income (expense), unless restricted by donors. Investment return with donor restrictions is recorded as investment return (loss) within net assets with donor restrictions.

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. In 2023, Sanford re-evaluated and adjusted the remaining useful lives of its healthcare land improvements, buildings, and equipment. This resulted in a reduction in depreciation expense of approximately $35,000 for the year ended December 31, 2023.

(Dollar Amounts in Thousands)

2. Summary of Significant Accounting Policies (continued)

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, as follows:

Land improvements	5–50 years
Buildings	15–80 years
Building equipment	5–80 years
Movable equipment	3–30 years

Management annually reviews the carrying value of long-lived assets for potential impairment. During 2022, damage 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, which is included within depreciation and amortization expense, offset by $50,526 of anticipated insurance proceeds recorded within other operating revenue. Sanford received $52,093 of insurance proceeds in 2023. There were no impairment losses during the year ended December 31, 2023.

Non-operating Property

Non-operating property consists primarily of real estate held for future development and other non-operating property. Real estate held for future development 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 Assets and Operating Lease Liabilities

Sanford leases various facilities and equipment under noncancelable operating leases expiring at various dates through October 2053 and records the corresponding right-of-use assets and operating lease liabilities on the consolidated balance sheets. Right-of-use assets are calculated as lease liabilities 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.

2. Summary of Significant Accounting Policies (continued)

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 $62,642 and $68,092 as of December 31, 2023 and 2022, respectively. The annual impairment test was performed resulting in no impairment charges for the years ended December 31, 2023 or 2022.

Intangible assets are amortized over the terms of the agreements. The balance, net of accumulated amortization, was $8,123 and $13,303 as of December 31, 2023 and 2022, 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, 2023 and 2022, notes receivable from providers and employees totaled $67,442 and $64,136, 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 on the consolidated balance sheets.

Medical Claims Payable

Sanford's health plan entities are at risk for certain medical costs of their members, up to reinsurance limits. Reserves for medical claims are recorded in medical claims payable on 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 estimates of costs incurred for obligations to provide services are based on both claims reported to Sanford's health plan entities, 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 within medical claims expense as necessary.

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 on the consolidated balance sheets.

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 are recorded as contributions in 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 (expense), or releases for acquisitions of property and equipment.

2. Summary of Significant Accounting Policies (continued)

Any 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, gifts without donor restrictions are recorded within other operating revenue and gifts with donor restrictions are recorded within net assets with donor restrictions.

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, 2023 and 2022. 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 consist 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 or resident revenue. The total cost of charity care (estimated by applying an overall cost to charge ratio to the charges incurred) was $90,124 and $93,117 for the years ended December 31, 2023 and 2022, 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 on the consolidated balance sheets.

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 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 $1,509 and $817 have been recorded in other assets on the consolidated balance sheets as of December 31, 2023 and 2022, 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, 2023 and 2022.

2. Summary of Significant Accounting Policies (continued)

Performance Indicators

The accompanying consolidated statements of operations include income from operations as an operating measure of the net of revenues and expenses generated from healthcare related services that advance the objectives of Sanford. Income from operations excludes revenue and expenses from other activities and revenue and expenses 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 year-to-year, while also improving comparability across other healthcare providers.

The accompanying consolidated statements of operations also includes excess (deficiency) 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. Excess (deficiency) of revenues over expenses attributable to controlling interest excludes pension plan-related changes, long-lived assets acquired using contributions, and other changes in net assets.

New Accounting Pronouncements

In June, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. (ASU) 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The objective of this update is to improve financial reporting by requiring earlier recognition of credit losses on financing receivables and other financial assets in scope. For notes receivable, trade receivables, loans, and held-to-maturity debt securities, entities will be required to estimate lifetime expected credit losses, resulting in earlier recognition of credit losses. For available-for-sale debt securities, entities are required to recognize an allowance for credit losses rather than a reduction to the carrying value of the asset. In November 2019, the FASB issued ASU 2019-10, which extended the effective date for ASU 2016-13. This guidance was effective for Sanford on January 1, 2023, and did not significantly affect the consolidated financial statements.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation relating to discontinued operations of senior care facilities, which is summarized in Note 17.

2. Summary of Significant Accounting Policies (continued)

Subsequent Events

Sanford has evaluated subsequent events through April 23, 2024, 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 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 and revenue is recognized when those services are rendered. 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, 2023, will be satisfied in full in 2024.

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.

(Dollar Amounts in Thousands)

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

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's or resident's ability to pay. Subsequent changes as a result of adverse changes in the patient's or resident's ability to pay are recorded as adjustments to patient or resident revenue in the period of the change. Such changes for the years ended December 31, 2023 and 2022 were not material.

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

	Patient		**Resident**	
	2023	**2022**	**2023**	**2022**
Revenue:				
Medicare	**34.6%**	32.1%	**11.5%**	13.7%
Medicaid	**9.9**	11.6	**46.6**	45.8
Blue Cross	**26.3**	27.1	**–**	–
Other third-party payors	**28.1**	27.5	**9.2**	8.6
Self-pay and other	**1.1**	1.7	**32.7**	31.9
	100.0%	100.0%	**100.0%**	100.0%
Accounts receivable:				
Medicare	**25.3%**	24.9%	**12.6%**	16.1%
Medicaid	**9.7**	10.8	**39.8**	38.7
Blue Cross	**20.7**	20.2	**–**	–
Other third-party payors	**35.2**	30.9	**16.5**	19.1
Self-pay and other	**9.1**	13.2	**31.1**	26.1
	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 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, 2023 or 2022.

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, 2023 or 2022.

(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, 2023			
Assets:			
Money market funds	$ 281,051	$ –	$ 281,051
Equity mutual and exchange traded funds	357,530	–	357,530
Common stocks	193	–	193
Participant-directed deferred compensation assets	201,304	–	201,304
Fixed income mutual and exchange traded funds	683,798	–	683,798
U.S. government securities	82,326	–	82,326
Government sponsored enterprise securities	–	31,228	31,228
Government sponsored enterprise mortgage backed securities	–	43,771	43,771
Corporate debt securities	–	677,931	677,931
Municipal bonds	–	294,978	294,978
Other	–	20,032	20,032
Total assets valued at fair value	$ 1,606,202	$ 1,067,940	2,674,142
Investments recorded at net asset value			120,294
			$ 2,794,436
Assets reported as:			
Short-term investments			$ 285,632
Debt service funds in other current assets			264
Investments			2,269,119
Assets whose use is limited:			
Regulatory and reserve funds			38,117
Deferred compensation funds			201,304
			$ 2,794,436

(Dollar Amounts in Thousands)

4. Fair Value Measurements (continued)

	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 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)

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 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 December 31 2023	NAV December 31 2022	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Domestic and global equities	**$ 82,193**	$ 77,865	$ 10,933	Limited	N/A
Real estate private equities	**18,965**	18,881	–	Limited	N/A
Real estate private equities	**10,589**	10,589	–	Quarterly	2 days
Private debt securities	**8,547**	8,016	–	Quarterly	30 days
	$ 120,294	$ 115,351	$ 10,933		

(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:

	2023	2022
Cash	**$ 105,545**	$ 217,637
Short-term investments	**285,632**	296,071
Accounts receivable, less allowances	**936,994**	868,796
Debt service funds in other current assets	**264**	206
Notes and contributions receivable in other current assets	**27,790**	23,984
Investments, less alternative investments	**2,148,825**	1,712,554
	$ 3,505,050	$ 3,119,248

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.

In addition, as discussed in Note 12, Sanford can access liquidity through a line of credit agreement of up to $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:

	2023	2022
Without donor restrictions – other operating revenue:		
Dividend and interest income	**$ 35,057**	$ 32,926
Without donor restrictions – non-operating income (expense):		
Dividend and interest income	**79,209**	54,934
Net realized gain (loss) on sales of investments	**394**	(2,157)
Unrealized gain (loss)	**66,881**	(349,492)
	146,484	(296,715)
With donor restrictions:		
Dividend and interest income	**3,448**	3,670
Net realized (loss) gain on sales of investments	**(1,879)**	374
Unrealized gain (loss)	**18,493**	(34,216)
	20,062	(30,172)
	$ 201,603	$ (293,961)

(Dollar Amounts in Thousands)

7. Property and Equipment

Property and equipment consisted of the following:

	2023	2022
Land and land improvements	**$ 451,838**	$ 445,158
Buildings	**2,701,877**	2,727,589
Building equipment	**513,349**	496,171
Movable equipment	**1,419,985**	1,408,014
Construction-in-process	**219,947**	107,420
	5,306,996	5,184,352
Accumulated depreciation	**(2,795,403)**	(2,743,601)
	$ 2,511,593	$ 2,440,751

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, 2023 and 2022, 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:

	2023	2022
Total assets	**$ 185,099**	$ 141,972
Total operating revenues	**120,726**	113,458
Income from operations	**13,237**	8,382

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

	2023	2022
Net gains on investments in joint ventures	**$ 4,035**	$ 2,434
New equity contributions into joint ventures	**17,945**	3,530
Distributions received from joint ventures	**2,917**	1,886

(Dollar Amounts in Thousands)

9. Operating Leases

Future payments due under operating leases are as follows:

Year ending December 31:	
2024	$ 23,997
2025	19,425
2026	16,520
2027	14,339
2028	10,451
Thereafter	29,246
	113,978
Less present value discount	(18,497)
	$ 95,481

Operating lease liabilities are calculated as the present value of the remaining lease payments. The weighted average discount rate for operating leases was 4.6% and 4.5% for the years ended December 31, 2023 and 2022, respectively. The weighted average remaining lease term for operating leases was seven years for the years ended December 31, 2023 and 2022. Lease expense associated with operating leases was $30,553 and $28,826 for the years ended December 31, 2023 and 2022, respectively.

10. Pension Plans

Defined Contribution Retirement Plans

Sanford has defined contribution retirement plans that are available to all eligible employees. 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 $116,458 and $112,736 were recognized as part of salaries and benefits for the years ended December 31, 2023 and 2022, respectively.

10. Pension Plans (continued)

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. In 2022 the Bismarck Plan merged, and the corresponding participants moved into the Master Plan (the plan). The Plan terminated effective March 31, 2023.

A partial settlement of the plan occurred through lump sum payments to eligible participants in December 2023, resulting in the recognition of $10,553 in settlement loss as of December 31, 2023.

The plan adopted the termination basis of accounting during 2023, resulting in a change in classification of funded status, or comparison of plan assets and plan liabilities, of the Plan from an asset of $5,131 presented in other assets on the consolidated balance sheet at December 31, 2022 to a liability of $15,057 presented in other current liabilities on the consolidated balance sheet at December 31, 2023.

In January 2024, Sanford signed an agreement with an insurance company to purchase a group annuity contract for $230,880 to transfer all projected benefit obligations related to the Plan. Sanford contributed $3,680 in settlement of the net pension obligation. This action is expected to result in a final settlement charge of approximately $45,987 in 2024.

(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	
	2023	**2022**	**2023**	**2022**
Change in benefit obligation:				
Benefit obligation, beginning of year	**$ 278,109**	$ 226,915	**$ –**	$ 145,781
Service cost	**241**	337	**–**	1,250
Interest cost	**14,753**	6,408	**–**	4,163
Actuarial loss (gain)	**24,413**	(49,869)	**–**	(33,366)
Benefits paid	**(19,842)**	(12,364)	**–**	(6,790)
Merger into Master Plan	**–**	111,038	**–**	(111,038)
Curtailments	**–**	(4,356)	**–**	–
Settlements	**(46,253)**	–	**–**	–
Benefit obligation, end of year	**251,421**	278,109	**–**	–
Change in plan assets:				
Fair value of plan assets, beginning of year	**283,240**	216,271	**–**	133,135
Gain (loss) on plan assets	**19,219**	(30,974)	**–**	(22,978)
Employer contributions	**–**	4,840	**–**	2,100
Benefits paid	**(19,842)**	(12,364)	**–**	(6,790)
Merger into Master Plan	**–**	105,467	**–**	(105,467)
Settlements	**(46,253)**	–	**–**	–
Fair value of plan assets, end of year	**236,364**	283,240	**–**	–
Funded status:				
Benefit obligation in excess of (less than) plan assets	**$ 15,057**	$ (5,131)	**$ –**	$ –
Amounts recognized in net assets without donor restrictions consisting of net actuarial loss	**$ 57,364**	$ 47,046	**$ –**	$ –
Accumulated benefit obligation	**$ 251,421**	$ 277,880	**$ –**	$ –
Weighted average of assumptions used to determine end of year obligations:				
Discount rate	**4.43%**	5.50%	**n/a**	n/a
Rate of compensation increase	**n/a**	3.00	**n/a**	n/a

(Dollar Amounts in Thousands)

10. Pension Plans (continued)

Components of Net Periodic Pension Cost (Benefit)

	Master Plan		Bismarck Plan	
	2023	**2022**	**2023**	**2022**
Service cost	**$ 241**	$ 337	**$ –**	$ 1,250
Interest cost	**14,753**	6,408	**–**	4,163
Expected return on plan assets	**(15,677)**	(10,179)	**–**	(6,574)
Amortization of actuarial loss	**–**	1,935	**–**	–
Settlement loss	**10,553**	–	**–**	–
Net periodic pension cost (benefit)	**$ 9,870**	$ (1,499)	**$ –**	$ (1,161)
Weighted average of assumptions used to determine net periodic cost (benefit):				
Discount rate	**5.50%**	2.90%	**n/a**	2.90%
Plan assets expected long-term rate of return	**5.25**	5.00	**n/a**	5.00
Rate of compensation increase	**3.00**	3.00	**n/a**	3.00

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 income (expense).

Plan Assets

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

	2023	**2022**
Equity investments	**–%**	10%
Debt investments	**96**	89
Cash equivalents	**4**	1
	100%	100%

(Dollar Amounts in Thousands)

10. Pension Plans (continued)

With the Plan termination, Sanford hedged the Plan's interest rate and duration risk by investing in fixed income to preserve the plan funded status and mitigate risk exposure of the final settlement of the Plan. The expected long-term rate of return for the Plan was based on historical experience and the go forward investment allocation. Management believes this is an appropriate rate of return until final settlement of the plan as the fixed income securities are liquidated and converted to cash in preparation of the group annuity contract purchase in January 2024.

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, 2023			
Master Plan:			
Money market funds	$ 7,291	$ –	$ 7,291
Fixed income mutual and exchange traded funds	190,218	–	190,218
U.S. government securities	4,776	–	4,776
Government sponsored enterprise securities	–	1,023	1,023
Government sponsored enterprise mortgage backed securities	–	2,068	2,068
Corporate debt securities	–	22,901	22,901
Municipal bonds	–	6,533	6,533
Other	–	1,554	1,554
	$ 202,285	$ 34,079	$ 236,364

(Dollar Amounts in Thousands)

10. Pension Plans (continued)

	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	–	1,751	1,751
	$ 209,802	$ 73,438	$ 283,240

11. Residential Housing Deposits

Residential housing deposits consisted of the following:

	2023	2022
Refundable portion	**$ 70,005**	$ 73,394
Nonrefundable portion	**4,273**	4,114
Total residential housing deposits	**74,278**	77,508
Less current portion	**(10,169)**	(10,317)
	$ 64,109	$ 67,191

(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 2023	December 31 2022
Bonds payable:					
Series 1997	Variable	0.90% to 5.45%	November 2027	**$ 1,430**	$ 1,745
Series 2000	Variable	0.50% to 5.05%	November 2025	**645**	945
Series 2004B	Variable	1.30% to 5.85%	November 2034	**12,075**	12,510
Series 2010	Fixed	3.38%	December 2025	**660**	997
Series 2012A	Fixed	1.83%	September 2024	**2,050**	7,190
Series 2012B	Fixed	2.39%	September 2031	**22,110**	23,955
Series 2012C	Fixed	1.38%	September 2024	**55**	390
Series 2012D	Fixed	1.97%	September 2032	**23,520**	25,780
Series 2014A	Fixed	4.00%	November 2034	**52,000**	52,000
Series 2014B	Fixed	4.00% to 5.00%	November 2044	**157,020**	161,215
Series 2015	Fixed	4.00% to 5.00%	November 2045	**146,475**	151,055
Series 2016	Fixed	1.92%	November 2026	**15,000**	20,000
Series 2019A	Fixed	4.00% to 5.00%	November 2049	**310,420**	321,030
Series 2019B	Fixed	2.50% to 3.85%	November 2049	**350,430**	359,265
Series 2021	Fixed	1.23% to 3.17%	November 2052	**243,245**	246,555
Total bonds payable				**1,337,135**	1,384,632
Notes payable:					
Bank notes	Fixed	1.52% to 2.50%	April 2032	**61,680**	71,840
Other	Fixed	0.00% to 2.85%	October 2025	**6,190**	9,500
Total notes payable				**67,870**	81,340
Finance lease obligations	Fixed	8.00%	June 2023	**–**	703
Total principal outstanding				**1,405,005**	1,466,675
Net unamortized bond premiums and deferred financing costs				**61,510**	67,012
Total debt				**1,466,515**	1,533,687
Less current maturities				**(67,609)**	(68,200)
Total long-term portion of debt				**$ 1,398,906**	$ 1,465,487

(Dollar Amounts in Thousands)

12. Long-Term Debt (continued)

In 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, is an obligation of the Obligated Group secured by a note under the MTI. As of December 31, 2023, there were no amounts outstanding on the line of credit. The line of credit, originally expiring on February 1, 2024, was extended to January 31, 2025.

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, 2023 and 2022.

Scheduled principal payments of long-term debt as of December 31, 2023, are as follows:

	Bonds Payable	**Notes Payable**	**Total**
Year ending December 31:			
2024	$ 47,981	$ 12,864	$ 60,845
2025	50,017	15,439	65,456
2026	51,220	12,030	63,250
2027	48,870	12,731	61,601
2028	55,005	3,567	58,572
Thereafter	1,084,042	11,239	1,095,281
	$ 1,337,135	$ 67,870	$ 1,405,005

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 are included in 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, 2023.

Excess coverage of $80,000 for hospitals 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.

(Dollar Amounts in Thousands)

13. Commitments and Contingencies (continued)

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.

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. Sanford is not aware of any allegations of noncompliance with current laws and regulations that could have a material adverse impact on the consolidated financial statements.

Sanford is a defendant in various lawsuits arising in the ordinary course of business. Although the outcome of these lawsuits cannot be predicted with certainty, management believes the ultimate disposition of such matters will not have a material effect on the consolidated financial statements.

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:

	2023	2022
Net assets subject to expenditures for specific purposes:		
Women's health	**$ 59,653**	$ 59,812
Senior care	**10,838**	13,393
Children's fitness	**7,595**	8,292
Programs, services, and equipment	**100,807**	88,633
	178,893	170,130
Net assets to be held in perpetuity:		
Endowments, income restricted by donors	**109,341**	113,328
Endowments, income not restricted by donors	**5,863**	5,821
	115,204	119,149
Net assets with donor restrictions	**$ 294,097**	$ 289,279

(Dollar Amounts in Thousands)

14. Net Assets With Donor Restrictions (continued)

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

	2023	2022
Beginning of year	**$ 119,149**	$ 117,413
Contributions	**548**	3,128
Investment return (loss)	**17**	(1,170)
Net assets released from restriction	**(4,510)**	(222)
End of year	**$ 115,204**	$ 119,149

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, 2023.

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:

	2023	2022
Operating expenses	**$ 25,529**	$ 17,138
Property and equipment	**7,428**	2,750
	$ 32,957	$ 19,888

(Dollar Amounts in Thousands)

15. Functional Expenses

Sanford provides healthcare, senior care, and healthcare financing services to meet these 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, 2023						
Salaries and benefits	**$2,783,240**	**$ 381,953**	**$ 30,617**	**$ 46,625**	**$ 258,419**	**$3,500,854**
Supplies	**1,306,645**	**51,084**	**1,563**	**12,704**	**16,411**	**1,388,407**
Purchased services and other	**729,740**	**115,554**	**56,264**	**15,297**	**208,107**	**1,124,962**
Medical claims	**–**	**–**	**583,959**	**–**	**–**	**583,959**
Depreciation and amortization	**109,047**	**37,722**	**62**	**9,341**	**28,345**	**184,517**
Interest	**24,333**	**14,861**	**–**	**414**	**1,420**	**41,028**
Total	**$4,953,005**	**$ 601,174**	**$ 672,465**	**$ 84,381**	**$ 512,702**	**$6,823,727**

	Healthcare	Senior Care	Health Plan	Research and Other	General	Total
Year ended December 31, 2022						
Salaries and benefits	$2,661,825	$ 359,842	$ 29,249	$ 50,454	$ 263,139	$3,364,509
Supplies	1,165,768	52,608	222	14,668	15,000	1,248,266
Purchased services and other	742,960	123,506	64,006	20,722	186,402	1,137,596
Medical claims	–	–	556,210	–	–	556,210
Depreciation and amortization	145,365	19,613	545	6,372	24,001	195,896
Interest	25,752	14,874	(5)	279	1,223	42,123
Total	$4,741,670	$ 570,443	$ 650,227	$ 92,495	$ 489,765	$6,544,600

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

16. COVID-19

For the years ended December 31, 2023 and 2022, Sanford recognized $1,617 and $42,221, respectively, of COVID-19 related revenue into other operating revenue. These funds were predominately received or sourced from healthcare programs within the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and American Rescue Plan Act of 2021.

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, 2023, and has complied with all reporting requirements.

17. Assets and Liabilities Held for Sale and Discontinued Operations

In 2023, The Evangelical Lutheran Good Samaritan Society publicly announced its intent to consolidate services and investments in seven core states, which include South Dakota, North Dakota, Iowa, Minnesota, Nebraska, Kansas, and Colorado. Senior care locations outside of the seven state service area have started to transition to new senior care providers. The transitions to new senior care providers will occur throughout 2024.

Sanford is engaged with a qualified buyer to divest its affordable housing line of business. The transition to the qualified buyer will occur throughout 2024.

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 these locations have been classified as held for sale on the consolidated balance sheets, and all revenues and expenses classified as discontinued operations within the consolidated statements of operations as of and for the years ended December 31, 2023 and 2022, which is further summarized below. All related footnotes have been updated to reflect assets and liabilities held for sale and revenues and expenses from discontinued operations treatment.

	2023	**2022**
Assets held for sale:		
Cash	**$ 1,183**	$ 4,465
Other current assets	**1,088**	1,800
Assets whose use is limited	**944**	4,234
Property and equipment, net	**318,100**	401,625
Other assets	**14,086**	32,247
Total assets held for sale	**$ 335,401**	$ 444,371
Liabilities held for sale:		
Other liabilities	**$ 6,308**	$ 18,390
Total debt	**2,025**	18,694
Residential housing deposits	**36,540**	50,542
Total liabilities held for sale	**$ 44,873**	$ 87,626
Net assets:		
Without donor restrictions – controlling interest	**$ 290,528**	$ 344,440
Without donor restrictions – non-controlling interest	**–**	12,305
Total net assets	**$ 290,528**	$ 356,745
Loss from discontinued operations:		
Operating revenues	**$ 249,845**	$ 356,017
Operating expenses	**(250,549)**	(360,227)
Non-operating expense	**(21,551)**	(12,041)
Loss from discontinued operations	**$ (22,255)**	$ (16,251)

Supplementary Information

Sanford

Consolidating Balance Sheet
(In Thousands)

December 31, 2023

	Obligated Group	Other	Eliminations	Total
Assets				
Current assets:				
Cash	**$ 70,447**	**$ 35,098**	**$ –**	**$ 105,545**
Short-term investments	**258,155**	**27,477**	**–**	**285,632**
Accounts receivable	**897,966**	**102,007**	**(62,979)**	**936,994**
Inventories	**116,548**	**17,596**	**–**	**134,144**
Other current assets	**103,918**	**3,278**	**–**	**107,196**
Total current assets	**1,447,034**	**185,456**	**(62,979)**	**1,569,511**
Assets held for sale	**330,418**	**7,436**	**(2,453)**	**335,401**
Investments	**2,015,032**	**254,087**	**–**	**2,269,119**
Assets whose use is limited	**238,299**	**1,122**	**–**	**239,421**
Property and equipment, net	**2,448,083**	**63,510**	**–**	**2,511,593**
Other assets:				
Right-of-use asset	**83,104**	**7,466**	**–**	**90,570**
Investment in joint ventures	**38,301**	**30,189**	**–**	**68,490**
Non-operating property	**109,579**	**29,180**	**–**	**138,759**
Goodwill and intangible assets	**62,916**	**7,849**	**–**	**70,765**
Notes receivable	**51,782**	**4,999**	**–**	**56,781**
Other assets	**47,426**	**1,995**	**–**	**49,421**
Total other assets	**393,108**	**81,678**	**–**	**474,786**
Total assets	**$ 6,871,974**	**$ 593,289**	**$ (65,432)**	**$ 7,399,831**

Consolidating Balance Sheet (continued)

(In Thousands)

	Obligated Group	Other	Eliminations	Total
Liabilities and net assets				
Current liabilities:				
Current maturities of long-term debt	**$ 67,609**	**$ –**	**$ –**	**$ 67,609**
Current portion of other liabilities	**79,710**	**11,148**	**–**	**90,858**
Accounts payable	**129,934**	**21,788**	**(15,468)**	**136,254**
Accrued compensation and benefits	**344,295**	**1,896**	**(16,211)**	**329,980**
Medical claims payable	**–**	**107,078**	**(31,300)**	**75,778**
Other accruals and deferred revenue	**109,857**	**37,904**	**–**	**147,761**
Total current liabilities	**731,405**	**179,814**	**(62,979)**	**848,240**
Liabilities held for sale	**41,075**	**6,251**	**(2,453)**	**44,873**
Other liabilities:				
Operating leases	**68,819**	**5,964**	**–**	**74,783**
Deferred compensation	**200,980**	**–**	**–**	**200,980**
Residential housing deposits	**64,109**	**–**	**–**	**64,109**
Other non-current liabilities	**137,492**	**15,924**	**–**	**153,416**
Total other liabilities	**471,400**	**21,888**	**–**	**493,288**
Long-term debt, less current maturities	**1,398,906**	**–**	**–**	**1,398,906**
Total liabilities	**2,642,786**	**207,953**	**(65,432)**	**2,785,307**
Commitments and contingencies (Note 13)				
Net assets:				
Without donor restrictions – controlling interest	**3,935,091**	**383,099**	**–**	**4,318,190**
Without donor restrictions – non-controlling interest	**–**	**2,237**	**–**	**2,237**
With donor restrictions	**294,097**	**–**	**–**	**294,097**
Total net assets	**4,229,188**	**385,336**	**–**	**4,614,524**
Total liabilities and net assets	**$ 6,871,974**	**$ 593,289**	**$ (65,432)**	**$ 7,399,831**

See notes to consolidated financial statements.

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	113,025	14,906	–	127,931
Other current assets	100,449	3,812	–	104,261
Total current assets	1,385,618	287,081	(58,003)	1,614,696
Assets held for sale	397,023	56,608	(9,260)	444,371
Investments	1,584,683	243,222	–	1,827,905
Assets whose use is limited	245,240	1,634	–	246,874
Property and equipment, net	2,377,758	62,993	–	2,440,751
Other assets:				
Right-of-use asset	77,843	9,188	–	87,031
Investment in joint ventures	37,722	11,576	–	49,298
Non-operating property	121,763	30,535	–	152,298
Goodwill and intangible assets	67,623	13,772	–	81,395
Notes receivable	49,903	6,202	–	56,105
Other assets	56,158	1,801	–	57,959
Total other assets	411,012	73,074	–	484,086
Total assets	$ 6,401,334	$ 724,612	$ (67,263)	$ 7,058,683

Sanford

Consolidating Balance Sheet (continued)
(In Thousands)

	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	97,690	9,391	–	107,081
Accounts payable	136,445	20,030	(12,134)	144,341
Accrued compensation and benefits	332,139	1,679	(16,398)	317,420
Medical claims payable	–	106,135	(29,471)	76,664
Other accruals and deferred revenue	62,745	121,216	–	183,961
Total current liabilities	697,219	258,451	(58,003)	897,667
Liabilities held for sale	66,164	30,722	(9,260)	87,626
Other liabilities:				
Operating leases	62,139	7,418	–	69,557
Deferred compensation	163,802	–	–	163,802
Residential housing deposits	67,191	–	–	67,191
Other non-current liabilities	157,480	20,359	–	177,839
Total other liabilities	450,612	27,777	–	478,389
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 Statement of Operations
(In Thousands)

Year Ended December 31, 2023

	Obligated Group	Other	Eliminations	Total
Operating revenues:				
Patient revenue	**$ 4,654,952**	**$ 84,755**	**$ (284,961)**	**$ 4,454,746**
Resident revenue	**635,849**	**3,346**	**(4,677)**	**634,518**
Premium revenue	**–**	**940,435**	**–**	**940,435**
Other operating revenue	**1,140,128**	**75,432**	**(19,322)**	**1,196,238**
Total operating revenues	**6,430,929**	**1,103,968**	**(308,960)**	**7,225,937**
Operating expenses:				
Salaries and benefits	**3,405,375**	**106,835**	**(11,356)**	**3,500,854**
Supplies	**1,341,835**	**46,572**	**–**	**1,388,407**
Purchased services and other	**1,022,153**	**111,767**	**(8,958)**	**1,124,962**
Medical claims	**–**	**872,605**	**(288,646)**	**583,959**
Depreciation and amortization	**173,531**	**10,986**	**–**	**184,517**
Interest	**41,028**	**–**	**–**	**41,028**
Total operating expenses	**5,983,922**	**1,148,765**	**(308,960)**	**6,823,727**
Income (loss) from operations	**447,007**	**(44,797)**	**–**	**402,210**
Non-operating expense:				
Investment loss	**124,578**	**21,906**	**–**	**146,484**
Other expenses	**(40,891)**	**(2,416)**	**–**	**(43,307)**
Net non-operating expense	**83,687**	**19,490**	**–**	**103,177**
Excess (deficiency) of revenues over expenses from continuing operations	**530,694**	**(25,307)**	**–**	**505,387**
Loss from discontinued operations	**(2,268)**	**(19,987)**	**–**	**(22,255)**
Plus deficiency of revenues over expenses attributable to non-controlling interest	**–**	**11,681**	**–**	**11,681**
Excess (deficiency) of revenues over expenses attributable to controlling interest	**528,426**	**(33,613)**	**–**	**494,813**
Net assets released from restrictions for acquisition of property and equipment	**7,428**	**–**	**–**	**7,428**
Pension plan related changes	**(10,318)**	**–**	**–**	**(10,318)**
Other changes in net assets	**(50)**	**–**	**–**	**(50)**
Transfers	**(22,968)**	**22,968**	**–**	**–**
Increase (decrease) in net assets without donor restrictions – controlling interest	**$ 502,518**	**$ (10,645)**	**$ –**	**$ 491,873**

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	$ 4,337,050	$ 67,800	$ (248,806)	$ 4,156,044
Resident revenue	600,911	3,815	(4,197)	600,529
Premium revenue	–	888,019	–	888,019
Other operating revenue	1,039,593	73,554	(20,835)	1,092,312
Total operating revenues	5,977,554	1,033,188	(273,838)	6,736,904
Operating expenses:				
Salaries and benefits	3,275,021	100,722	(11,234)	3,364,509
Supplies	1,202,852	45,467	(53)	1,248,266
Purchased services and other	1,031,566	115,564	(9,534)	1,137,596
Medical claims	–	809,227	(253,017)	556,210
Depreciation and amortization	189,412	6,484	–	195,896
Interest	42,123	–	–	42,123
Total operating expenses	5,740,974	1,077,464	(273,838)	6,544,600
Income (loss) from operations	236,580	(44,276)	–	192,304
Non-operating expense:				
Investment loss	(252,882)	(43,837)	–	(296,719)
Other expenses	(34,603)	(8,187)	–	(42,790)
Net non-operating expense	(287,485)	(52,024)	–	(339,509)
Deficiency of revenues over expenses from continuing operations	(50,905)	(96,300)	–	(147,205)
Loss from discontinued operations	(8,057)	(8,194)	–	(16,251)
Plus deficiency of revenues over expenses attributable to non-controlling interest	–	10,218	–	10,218
Deficiency of revenues over expenses attributable to controlling interest	(58,962)	(94,276)	–	(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	(72,434)	72,434	–	–
Decrease in net assets without donor restrictions – controlling interest	$ (109,825)	$ (21,842)	$ –	$ (131,667)

See notes to consolidated financial statements.

1. 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, 2023:

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 Sanford’s interest in controlled entities on a consolidated basis.