



Consolidated Financial Statements as of and
for the Years Ended December 31, 2021 and 2020,
Supplemental Financial Responsibility Schedule and
Supplemental Consolidated Federal Award Information
as of and for the Year Ended December 31, 2021, and Independent
Auditor's Reports

SANFORD

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Sanford, which comprises the consolidated balance sheet as of December 31, 2021, and the related consolidated statements of operations, changes in net assets, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Sanford as of December 31, 2021, and the changes in its 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) and the standards applicable to financial audits contained in Government Auditing Standards (Government Auditing Standards), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Sanford and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards 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 consolidated financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 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 consolidated financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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.

Supplemental Schedule

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Supplemental Financial Responsibility Schedule on pages 36-37 as required by the Department of Education is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The schedule has been subjected to the auditing procedures applied in our audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such schedule directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2022, on our consideration of Sanford's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Sanford's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sanford's internal control over financial reporting and compliance.

Deloitte & Touche LLP

March 31, 2022 (June 30, 2022 as to Note 20 and the supplemental financial responsibility schedule)

SANFORD

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

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

See notes to consolidated financial statements

SANFORD

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

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

See notes to consolidated financial statements

SANFORD

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

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

See notes to consolidated financial statements

SANFORD

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

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

See notes to consolidated financial statements

SANFORD

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

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

(Continued)

SANFORD

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

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

(Concluded)

See notes to consolidated financial statements

SANFORD

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

1. NATURE OF ORGANIZATION

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

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

OBLIGATED GROUP Sanford and certain of its wholly owned entities entered into a first amended and restated Master Trust Indenture (MTI) dated November 1, 2019. Members of the Obligated Group are jointly and severally obligated for the debt issued and guaranteed under the MTI. Sanford, as Obligated Group Agent, together with the following are members of the Obligated Group as of December 31, 2021:

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

Management annually reviews the carrying value of long-lived assets for potential impairment. There were no impairment losses during the years ended December 31, 2021 and 2020.

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

RIGHT OF USE ASSET AND OPERATING LEASE LIABILITIES Sanford leases various facilities and equipment under non-cancelable operating leases expiring at various dates through March 2041 and records the corresponding right of use asset and operating lease liabilities on the balance sheet. Right of use asset is calculated as the lease liability plus any prepaid lease payments and initial direct costs, less any lease incentives. Renewal options to extend the lease term that are reasonably certain to be exercised are included in the measurement of leases. Operating lease liabilities are calculated as the present value of the remaining lease payments and reported within current portion of other liabilities and operating lease liabilities on the balance sheet. Sanford excludes operating leases with terms of twelve months or less and includes any fixed non-lease components in lease measurement.

GOODWILL AND INTANGIBLE ASSETS Goodwill represents any excess of acquisition price over fair value of net assets acquired. The balance was \$68,092 and \$63,922 as of December 31, 2021 and 2020. The annual impairment test was performed resulting in no impairment charges for the years ended December 31, 2021 and 2020. Intangible assets are amortized over the terms of the agreements. The balance, net of accumulated amortization, was \$16,672 and \$20,941 as of December 31, 2021 and 2020.

NOTES RECEIVABLE As part of the recruitment process, notes with forgiveness provisions may be issued to certain providers and employees. Notes are repayable over periods varying from one to ten years and are issued at current interest rates. As of December 31, 2021 and 2020, notes receivable from providers and employees totaled \$47,193 and \$49,282, with balances due or to be forgiven within one year reported within other current assets and non-current balances outstanding reflected as notes receivable.

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

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

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

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

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

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

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

OPERATING AND NON-OPERATING ACTIVITIES Sanford's primary objective of operations is to meet the healthcare needs of individuals. All activities directly associated with this objective are considered operating activities. Non-operating items primarily include investment return, loss on extinguishment of debt, and other expenses which largely consists of contributions expense and income taxes.

CHARITY CARE AND COMMUNITY BENEFITS Sanford provides care to patients and residents without charge or at amounts less than its established rates regardless of their ability to pay. These patients and residents meet criteria as defined by Sanford's charity care policies. Sanford does not pursue collection of amounts determined to qualify as charity care. Accordingly, these amounts are not reported as net patient revenue or net resident revenue. The total cost of charity care (estimated by applying an overall cost to charge ratio to the charges incurred) was \$91,995 and \$94,140 for the years ended December 31, 2021 and 2020.

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

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

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

INTEREST EXPENSE Interest expense includes interest costs incurred on borrowed funds (net of interest income earned on investments held by trustee under bond indenture agreements), deferred financing costs, and fees paid to maintain assets held by trustees under indenture, remarketing, and liquidity facility agreements. Deferred financing costs are amortized over the period the obligation is outstanding using the effective interest method. Interest costs are capitalized during the construction of capital assets as a component of the cost of acquiring those assets.

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

The deferred income tax provision or benefit generally reflects the net change in deferred income tax assets and liabilities during the year. Deferred tax assets of \$5,966 and \$5,745 have been recorded in other assets as of December 31, 2021 and 2020.

The current income tax provision reflects the tax consequences of revenues and expenses currently taxable or deductible on various income tax returns for the year reported. Sanford paid an insignificant amount of federal and state income taxes for the years ended December 31, 2021 and 2020.

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

SUBSEQUENT EVENTS Sanford has evaluated subsequent events through March 31, 2022, the date this report was issued, and no additional significant events have been identified.

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

Net patient revenue and net resident revenue are reported at estimated net realizable amounts from patients, residents, third-party payors, and others that Sanford expects to receive in exchange for providing patient and resident care. Sanford determines performance obligations based on the nature of the services provided. Revenue is recognized when those services are rendered and the patient, resident, or third-party payor is billed, usually in advance or within several days of service or discharge. For services provided over a period of time, such as inpatients receiving acute care services or residents receiving post-acute care services, revenue recognition begins when the patient or resident is admitted and concludes at the time of discharge. Remaining performance obligations relating to inpatient acute care services or resident post-acute care services as of December 31, 2021 will be satisfied in full in 2022.

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

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

Generally, patients and residents who are covered by third-party payors are responsible for related deductibles and coinsurance, which Sanford estimates the corresponding ability to collect based on historical experience, current market conditions, and information gathered based on the patient or resident's ability to pay. Subsequent changes as a result of adverse changes in the patient or resident's ability to pay are recorded as bad debt expense within operating expenses. Subsequent changes to allowance for bad debts estimates for the years ended December 31, 2021 and 2020 were not material.

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

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

4. FAIR VALUE MEASUREMENTS

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

The three levels of the fair value hierarchy under the ASC 820 are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Sanford has the ability to access.
- Level 2 Inputs to the valuation methodology include directly or indirectly observable inputs other than level 1 inputs, such as quoted prices for similar instruments in active or inactive markets, quoted prices for identical instruments in inactive markets, or inputs that are observable or can be corroborated by observable market data. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 Inputs to the valuation methodology are unobservable and are related to the instruments that are supported by little or no market activity using pricing models, discounted cash flow methodologies, or similar valuation techniques.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Sanford's policy for recording transfers is at the end of the period for which the transfer happened. There were no material transfers between levels during the years ended December 31, 2021 and 2020.

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

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

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

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

Fair value estimates for level 1 and level 2 equity securities are based on quoted market prices for actively traded equity securities or other market data for the same or comparable instruments and transactions in establishing the prices. Generally, level 2 fixed income securities are valued based on quoted prices for similar instruments, including the assets held in the defined benefit plans as referenced in Note 12. There were no financial assets recorded at fair value classified as level 3 as of December 31, 2021 and 2020.

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

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

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

These alternative investments include domestic and global equities, real estate private equity funds, and private debt securities. Domestic and global equities include investments in certain domestic and global healthcare technologies and companies. Real estate investments include a diversified portfolio primarily focused on opportunities in the acquisition, development, redevelopment, operation, and management of real estate properties. Private debt securities include investments in fixed income instruments comprised of broadly syndicated bank loans.

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

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

5. LIQUIDITY AND AVAILABILITY

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

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

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

6. INVESTMENT RETURN

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

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

7. PROPERTY AND EQUIPMENT

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

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

8. INVESTMENT IN JOINT VENTURES

Sanford records investments in joint ventures using the equity method, which reflects the investment at cost, net of Sanford's share of earnings, losses, and distributions. Earnings and losses are included within other non-operating income. As of December 31, 2021 and 2020, investments in joint ventures consisted of organizations in which Sanford's ownership interest ranges from 10% to 50%. The collective financial position of the joint ventures as of December 31 is as follows:

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

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

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

9. CONTRIBUTIONS RECEIVABLE

Contributions receivable as of December 31 consisted of the following:

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

10. MEDICAL CLAIMS PAYABLE

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

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

11. **OPERATING LEASES**

Future payments due under operating leases are as follows:

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

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

12. **PENSION PLANS**

DEFINED CONTRIBUTION RETIREMENT PLANS Sanford has defined contribution retirement plans that are available to all eligible employees who do not participate in a defined benefit pension plan. Employer contributions are based on a percentage of annual compensation and employee contribution levels. Employee and employer contributions are deposited with the plan trustee who invests the plan assets. Defined contribution retirement costs of \$112,066 and \$104,765 were recognized as part of salaries and benefits for the years ended December 31, 2021 and 2020.

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

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

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

COMPONENTS OF NET PERIODIC PENSION COST

	Master Plan		Bismarck Plan	
	2021	2020	2021	2020
Service cost	\$ 472	\$ 1,175	\$ 1,488	\$ 1,380
Interest cost	5,923	7,341	3,826	4,619
Expected return on plan assets	(11,512)	(10,881)	(7,404)	(6,831)
Amortization of actuarial loss	2,622	6,749	908	290
Net periodic pension cost	<u>\$ (2,495)</u>	<u>\$ 4,384</u>	<u>\$ (1,182)</u>	<u>\$ (542)</u>
Weighted average of assumptions used to determine net periodic cost				
Discount rate	2.50%	3.30%	2.55%	3.35%
Plan assets expected long-term rate of return	6.00%	6.00%	6.00%	6.00%
Rate of compensation increase	3.00%	3.00%	3.00%	3.00%

The above assumptions were established by working with an independent actuary. Service cost is included in salaries and benefits expense and all other components of the net periodic pension cost are included in other expenses within non-operating (expense) income.

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

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

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

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

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

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

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

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

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

BENEFIT PAYMENTS The following benefits are expected to be paid:

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

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

13. RESIDENTIAL HOUSING DEPOSITS

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

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

14. LONG-TERM DEBT

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

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

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

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

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

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

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

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

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

Debt agreements contain various restrictive covenants related to profitability, financial position and additional indebtedness, among others, as defined in the agreements. Sanford was in compliance with financial covenants as of December 31, 2021 and 2020.

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

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

15. COMMITMENTS AND CONTINGENCIES

PROFESSIONAL LIABILITY Sanford carries professional and general liability insurance through a combination of self-insured retention and commercial insurance carriers. The current claims made policy provides for a self-insured retention for both professional and general liability with up to a \$18,000 annual aggregate as of December 31, 2021.

Excess coverage of \$80,000 for hospital and clinics and \$110,000 for senior care is provided by various carriers and layers. The excess coverage provides a dedicated excess limit of coverage for professional and general liability claims from other liability coverage, such as workers' compensation, aviation, auto, and ambulance liability, all of which are covered by the excess insurance program.

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

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

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

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

16. NET ASSETS WITH DONOR RESTRICTIONS

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

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

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

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

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

Available endowment earnings are appropriated in accordance with donor restrictions. There were no deficiencies reported in net assets with donor restrictions as of December 31, 2021.

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

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

17. FUNCTIONAL EXPENSES

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

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

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

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

18. COVID-19

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

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

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

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

19. ASSETS AND LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS

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

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

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

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

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

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

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

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

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

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

20. INFORMATION USED IN DETERMINING THE DEPARTMENT OF EDUCATION'S FINANCIAL RESPONSIBILITY COMPOSITE SCORE

Section 498(c) of the Higher Education Act of 1965, as amended, requires nonprofit entities to annually submit audited financial statements to the Department of Education (DOE) to demonstrate they are maintaining the standards of financial responsibility necessary to participate in the Title IV programs.

The financial information below provides a reconciliation between certain values presented in the entities consolidated financial statements and the values as they are included in the determination of the ratios used by DOE to gauge the entities financial responsibility as of December 31, 2021:

Property, plant and equipment - pre-implementation (includes capital leases)	\$ 2,381,432
Property, plant and equipment - post-implementation without outstanding debt for original purchase	398,263
Construction in progress	<u>108,084</u>
Property, plant and equipment, net (includes construction in progress and capital leases)	<u>\$ 2,887,779</u>
Lease right-of-use asset, pre-implementation	\$ 59,256
Lease right-of-use asset, post-implementation	<u>16,048</u>
Lease right-of-use asset, net	<u>\$ 75,304</u>
Long-term debt - for long term purposes pre-implementation	\$ 1,273,075
Long-term debt - for long term purposes post-implementation	<u>328,780</u>
Long-term debt - for long term purposes	<u>\$ 1,601,855</u>
Pre-implementation right-of-use leases liabilities	\$ 60,477
Post-implementation right-of-use leases liabilities	<u>16,242</u>
Lease right-of-use asset liability	<u>\$ 76,719</u>

* * * * *

SUPPLEMENTAL FINANCIAL RESPONSIBILITY SCHEDULE

SANFORD

SUPPLEMENTAL FINANCIAL RESPONSIBILITY SCHEDULE
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2021
(In thousands)

Location in financial statements or related notes	Financial element	Amount
Primary Reserve Ratio: Expendable Net Assets		
Consolidated Balance Sheets - Net assets without donor restrictions - controlling interest and non-controlling interest	Net assets without donor restrictions	\$ 3,982,120
Consolidated Balance Sheets - Net assets with donor restrictions	Net assets with donor restrictions	327,016
Notes to Consolidated Financial Statements - Net assets with donor restrictions (Net assets to be held in perpetuity)	Net assets with donor restrictions: restricted in perpetuity	117,413
Notes to Consolidated Financial Statements - Net assets with donor restrictions (Net assets subject to the passage of time and expenditures for specific purposes)	Net assets with donor restrictions: other for purpose or time	209,603
Consolidated Balance Sheets - Property and equipment - net	Property, plant and equipment, net (includes construction in progress and capital leases)	2,887,779
Notes to Consolidated Financial Statements - Information used in determining the Department of Education's financial responsibility composite score	Property, plant and equipment - pre-implementation (includes capital leases)	2,381,432
Notes to Consolidated Financial Statements - Information used in determining the Department of Education's financial responsibility composite score	Property, plant and equipment - post-implementation without outstanding debt for original purchase	398,263
Notes to Consolidated Financial Statements - Property and equipment	Construction in progress	108,084
Consolidated Balance Sheets - Right of use asset	Lease right-of-use asset, net	75,304
Notes to Consolidated Financial Statements - Information used in determining the Department of Education's financial responsibility composite score	Lease right-of-use asset pre-implementation	59,256
Notes to Consolidated Financial Statements - Information used in determining the Department of Education's financial responsibility composite score	Lease right-of-use asset post-implementation	16,048
Notes to Consolidated Financial Statements - Summary of Significant Accounting Policies - Goodwill and Intangible Assets	Intangibles	16,672
Consolidated Balance Sheets - Defined benefit pension	Post-employment and pension liabilities	23,290
Consolidated Balance Sheets - Current maturities of long-term debt and long-term debt, less current maturities	Long-term debt - for long term purposes	1,601,855
Notes to Consolidated Financial Statements - Information used in determining the Department of Education's financial responsibility composite score	Long-term debt - for long term purposes pre-implementation	1,273,075
Notes to Consolidated Financial Statements - Information used in determining the Department of Education's financial responsibility composite score	Long-term debt - for long term purposes post-implementation	328,780
Notes to Consolidated Financial Statements - Operating leases	Lease right-of-use asset liability	76,719
Notes to Consolidated Financial Statements - Information used in determining the Department of Education's financial responsibility composite score	Pre-implementation right-of-use leases liabilities	60,477
Notes to Consolidated Financial Statements - Information used in determining the Department of Education's financial responsibility composite score	Post-implementation right-of-use leases liabilities	16,242

SANFORD

SUPPLEMENTAL FINANCIAL RESPONSIBILITY SCHEDULE
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2021
(In thousands)

Location in financial statements or related notes	Financial element	Amount
Primary Reserve Ratio: Total Expenses and Losses		
Consolidated Statements of Operations - Total operating expenses, loss on extinguishment of debt and other expenses	Total expenses and losses without donor restrictions	\$ 6,802,859
Consolidated Statements of Operations - Total operating expenses	Total expenses without donor restrictions - taken directly from statement of activities	6,771,120
Consolidated Statements of Operations - Loss on extinguishment of debt and other expenses	Other losses	31,739
Equity Ratio: Modified Net Assets		
Consolidated Balance Sheets - Net assets without donor restrictions - controlling interest and non-controlling interest	Net assets without donor restrictions	\$ 3,982,120
Consolidated Balance Sheets - Net assets with donor restrictions	Net assets with donor restrictions	327,016
Notes to Consolidated Financial Statements - Information used in determining the Department of Education's financial responsibility composite score	Lease right-of-use asset pre-implementation	59,256
Notes to Consolidated Financial Statements - Information used in determining the Department of Education's financial responsibility composite score	Pre-implementation right-of-use leases liabilities	60,477
Notes to Consolidated Financial Statements - Summary of Significant Accounting Policies - Goodwill and Intangible Assets	Intangibles	16,672
Equity Ratio: Modified Assets		
Consolidated Balance Sheets - Total assets	Total assets	\$ 6,982,573
Notes to Consolidated Financial Statements - Information used in determining the Department of Education's financial responsibility composite score	Lease right-of-use asset pre-implementation	59,256
Notes to Consolidated Financial Statements - Summary of Significant Accounting Policies - Goodwill and Intangible Assets	Intangibles	16,672
Net Income Ratio		
Consolidated Statements of Changes in Net Assets - Increase in net assets without donor restrictions - controlling interest and non-controlling interest	Change in assets without donor restrictions	\$ 268,728
Consolidated Statements of Operations - Total operating revenues and investment return	Total revenues and gains without donor restrictions	7,150,214
Consolidated Statements of Operations - Total operating revenues	Total operating revenue and other additions (gains)	7,138,743
Consolidated Statements of Operations - Investment return	Investment return appropriated for spending	11,471

(Concluded)

See notes to consolidated financial statements

SUPPLEMENTAL CONSOLIDATED FEDERAL AWARD INFORMATION

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Independent Auditor's Report

To the Board of Trustees of Sanford
Sioux Falls, SD

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Sanford, which comprise the consolidated balance sheet as of December 31, 2021, and the related consolidated statements of operations, changes in net assets, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 31, 2022.

As disclosed in Note 1 to the consolidated financial statements, Sanford's consolidated financial statements include the operations of the Sanford foundations, the Sanford fully insured health insurance companies, and other less significant Sanford subsidiaries and affiliates. These entities were not audited in accordance with *Government Auditing Standards* and accordingly, this report does not include reporting on internal control over financial reporting or instances of noncompliance associated with such subsidiaries.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Deloitte & Touche LLP

March 31, 2022



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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Sanford's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of Sanford's major federal programs for the year ended December 31, 2021. Sanford's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Sanford complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

As discussed in Note 1 to the consolidated financial statements, Sanford's consolidated financial statements include the operations of the Sanford foundations, the Sanford fully insured health insurance companies, and other less significant Sanford subsidiaries and affiliates. These entities were not audited in accordance with the types of compliance requirements described in the OMB *Compliance Supplement* because the entities did not receive any federal awards.

Sanford's consolidated financial statements include the operations of the Affordable Housing Entities, which expended federal awards which are not included in Sanford's schedule of expenditures of federal awards for the year ended December 31, 2021. Our audit, described below, did not include the operations of the Affordable Housing Entities because the Affordable Housing Entities engaged other auditors to perform an audit of compliance.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Sanford and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Sanford's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Sanford's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Sanford's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Sanford's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, 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 Sanford's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Sanford's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Sanford's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not

identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

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

We have audited the financial statements of Sanford as of and for the year ended December 31, 2021, and have issued our report thereon dated March 31, 2022, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Deloitte & Touche LLP

June 30, 2022

SANFORD

CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021

Cluster/Program	Program Title	Federal ALN Number	Pass-through Agency	Grantor Agency or Pass-through Identification Number	Expenditures	Expenditures Passed-through to Subrecipients
Research and Development Cluster						
Department of Defense Direct Program						
Military Medical Research and Development	Protection against chemotherapy adverse events by macromolecular superoxide dismutase mimetics in breast cancer	12.420	N/A	W81XWH211002-3	\$ 84,842	\$ -
Total Department of Defense Direct Program					84,842	-
Department of Defense Pass-through Program						
Uniformed Services University Medical Research Projects	Gynecologic Cancer Center of Excellence (GYN-COE) with funding from the Uniformed Services University of the Health Sciences and the Defense Health Program (PAIRED)	12.750	Henry M. Jackson Foundation	HU0001-16-2-0006	2,615	-
Total Department of Defense Pass-through Program					2,615	-
National Science Foundation Direct Program						
Biological Sciences	REU Site in Cellular and Molecular Biology at Sanford Research	47.074	N/A	1756912	59,160	-
Total National Science Foundation Direct Program					59,160	-
Department of Health and Human Service Direct Programs						
Oral Diseases and Disorders Research	Molecular Regulators of Renal Collecting Duct Differentiation and Maintenance	93.121	N/A	5R01DK106135	39,776	-
National Center for Advancing Translational Sciences	Great Plains Rare Disease Summit	93.350	N/A	1R13TR002724-01A1	8,561	-
Cancer Cause and Prevention Research	Oncogenic mechanism of SOX2 in Rb-deficient tumors	93.393	N/A	5R01CA223661	377,426	-
Cancer Control	NCI Community Oncology Research Program (NCORP) Community	93.399	N/A	UG1 CA189825	896,675	21,000
Lung Diseases Research	Optimizing T treatment for Early Pseudomonas aeruginosa infection in Cystic Fibrosis	93.838	N/A	U01 HL114623	(614)	-
Diabetes, Digestive, and Kidney Diseases Extramural Research	Biobehavioral Factors and their Impact on Stress-Related Eating in Obesity	93.847	N/A	1R01DK130926-01	51,924	-

SANFORD

CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021

Cluster/Program	Program Title	Federal ALN Number	Pass-through Agency	Grantor Agency or Pass-through Identification Number	Expenditures	Expenditures Passed-through to Subrecipients
Diabetes, Digestive, and Kidney Diseases Extramural Research	Molecular and cellular basis of the renal diseases associated with Alagille Syndrome	93.847	N/A	1R01K123180-01A1	\$ 127,094	\$ -
Diabetes, Digestive, and Kidney Diseases Extramural Research	Post Surgical Predictors of Depressions and Weight Regain after Bariatric Surgery (Bariatric EMA)	93.847	N/A	5R01DK112487	476,906	178,493
Biomedical Research and Research Training	Center for Biobehavioral Mechanisms of Eating Behavior	93.859	N/A	P20GM134969	1,290,075	270,533
Biomedical Research and Research Training	Center for Cancer Biology Research	93.859	N/A	5P20GM103548	1,808,097	114,602
Biomedical Research and Research Training	Center for Pediatric Research	93.859	N/A	P20GM103620	1,849,584	29,584
Biomedical Research and Research Training	Evolution and application of proximity protein labeling	93.859	N/A	5R35GM126949	382,200	-
Biomedical Research and Research Training	Transdisciplinary approaches to American Indian and rural population health research	93.859	N/A	1P20GM121341-01; 5P20GM121341-02	1,819,036	250,116
Child Health and Human Development Extramural Research	The Pediatric Biomedical Research Program	93.865	N/A	R25 HD097633	56,045	-
N/A	A new prospective U.S. cohort set within the health care system institutions to study cancer	93.RD	N/A	HHSN261201800022I	378,667	-
Total Department of Health and Human Services Direct Programs					<u>9,561,452</u>	<u>864,329</u>
Department of Health and Human Service Pass-through Programs						
Affordable Care Act (ACA) Personal Responsibility Education Program	Replicated Sexually-Transmitted Infections and Teen Pregnancy Prevention Initiative (R-STITPPI)	93.092	Great Plains Tribal Chairman's Health Board	90AT0024-04-00 Yr5	51,517	-
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	Tiwahe Glu Kini Pi Expansion 2020	93.104	Sinte Gleska University	N/A	6,271	-
Oral Diseases and Disorders Research	Chemokine-mediated antigen-specific T cell responses and immunotherapies to treat head and neck cancer	93.121	Michigan State University	R01DE029524	187,597	-

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Oral Diseases and Disorders Research	Immune Dysregulation of Human Papillomavirus during Head and Neck Cancer Progression	93.121	Michigan State University	1R01DE026125-01	\$ 82,833	\$ -
Injury Prevention and Control Research and State and Community Based Programs	OD2 Funding through SD DOH	93.136	University of South Dakota	A20-0033-S001	51,412	-
Injury Prevention and Control Research and State and Community Based Programs	South Dakota Violent Death Report System (SD-VDRS)	93.136	South Dakota Department of Health	Yr2 -21SC090639; Yr1 -20SC090639	3,809	-
Human Genome Research	IGNITE II - Administrative Supplement - ADOPT-PGx: A Depression and Opioid Pragmatic Trial in Pharmacogenetics	93.172	Vanderbilt University Medical Center	VUMC86979	75,645	-
Human Genome Research	Integrated, Individualized, Intelligent Prescribing (I3P- IGNITE II)	93.172	Vanderbilt University Medical Center	VUMC69710	65,047	-
Mental Health Research Grants	Neuroeffects of Negative Affect on Food Choices and Reward in Individuals with Binge Eating Episodes (Negative Affect)	93.242	University of California	5R01MH112681-02	60,383	-
Mental Health Research Grants	Regional Postdoctoral Training Grant in Eating Disorders Research (T32 continued)	93.242	University of Minnesota	N008286402	103,856	-
Substance Abuse and Mental Health Services Projects of Regional and National Significance	Sicangu Native Connections Project (Tiwahe Glu Kini Pi)	93.243	Sinte Gleska University	1H79SM063489	9,788	-
Sickle Cell Treatment Demonstration Program	Sickle Treatment Outcomes Research in the Midwest (STORM)	93.365	Children's Hospital Medical Center	2U1EMC27863-04-00	80	-
Sickle Cell Treatment Demonstration Program	Sickle Treatment Outcomes Research in the Midwest (STORM) 2021-2026	93.365	Children's Hospital Medical Center	2U1EMC27863-04-00	33	-
Cancer Treatment Research	Children's Oncology SF/Fargo-PHI	93.395	Brigham and Women's Hospital	U10 CA180821	3,450	-
Cancer Biology Research	Novel Mechanisms Controlling SCLC Tumor Initiation	93.396	University of Nebraska Medical Center	R21 CA256638	20,386	-
Cancer Centers Support Grants	Investigation of epigenetic regulation by dual Histone Deacetylase (HDAC1) and Lysine Demethylase (LSD1) inhibition in Triple Negative Breast Cancer (TNBC) and its potential application to the American Indian (AI) population	93.397	University of Utah	10053843-01	3,328	-

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Cluster/Program	Program Title	Federal ALN Number	Pass-through Agency	Grantor Agency or Pass-through Identification Number	Expenditures	Expenditures Passed-through to Subrecipients
Cancer Centers Support Grants	Targeted drug screening modeling patterns of chemoresistance using molecular subtypes of Ovarian Cancer	93.397	University of Utah	2P30CA042014-31	\$ 8,246	\$ -
Transitional Living for Homeless Youth	Volunteers of America - Transitional Living Program	93.550	Volunteers of America, Dakotas	90CX7085-01-00	7,116	-
Lung Diseases Research	Identification and characterization of children with asthma-associated comorbidities through computational and immune phenotyping	93.838	Mayo Clinic	SAN-249905	17,707	-
Lung Diseases Research	ITN052AI (EXTEND) Preserving Beta-Cell Function with Tocilizumab in new-onset Type 1 Diabetes	93.838	Benaroya Research Institute at Virginia Mason	FY20ITN114	3,463	-
Diabetes, Digestive, and Kidney Diseases Extramural Research	Adolescent Bariatric Surgery: Psychosocial Health Risk Across Ten Years (Teen ViewPoint Cntd)	93.847	Children's Hospital Medical Center	307933	57,389	-
Diabetes, Digestive, and Kidney Diseases Extramural Research	Mechanisms that Predict Weight Trajectory after Bariatric Surgery: The Interactive Roles of Behavior and Biology (Bio Behavior)	93.847	North Dakota State University	R01DK112585	143,969	-
Diabetes, Digestive, and Kidney Diseases Extramural Research	Teen Longitudinal Assessment of Bariatric Surgery Research Project (Teen Labs)	93.847	University of Colorado Denver	DK072493	43,134	-
Diabetes, Digestive, and Kidney Diseases Extramural Research	TrialNet Sioux Falls (TN01) Pathway to Prevention	93.847	University of South Florida	UC4 DK117009	5,425	-
Diabetes, Digestive, and Kidney Diseases Extramural Research	TrialNet Fargo (TN01) Pathway to Prevention	93.847	University of South Florida	UC4 DK117009	1,420	-
Extramural Research Programs in the Neurosciences and Neurological Disorders	AtRial Cardiopathy and Antithrombotic Drugs In prevention After cryptogenic stroke (ARCADIA STROKENET)	93.853	University of Cincinnati	010785-133437	4,433	-
Extramural Research Programs in the Neurosciences and Neurological Disorders	Elucidating the epigenetic landscape of neurofibromatosis and development of therapeutic targets	93.853	H. Lee Moffitt Cancer Center & Research Institute	5-27364	14,637	-
Extramural Research Programs in the Neurosciences and Neurological Disorders	Reading Frame Correction for the Treatment of CLN3-Batten Disease	93.853	Rosalind Franklin University of Medicine	R01NS113233	208,159	-

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Cluster/Program	Program Title	Federal ALN Number	Pass-through Agency	Grantor Agency or Pass-through Identification Number	Expenditures	Expenditures Passed-through to Subrecipients
Allergy and Infectious Diseases Research	Advancing a Candidate Human Polyclonal Anti-Thymocyte Globulin Product Produced in Transchromosomal Bovine for Transplant Induction/Acute Rejection and T1D Therapy	93.855	SAB Biotherapeutics, Inc.	1R44AI142905-01	\$ 105,505	\$ -
Allergy and Infectious Diseases Research	Type 1 Diabetes Extension Study (T1DES)	93.855	Benaroya Research Institute at Virginia Mason	FY21TN245	13,458	-
Biomedical Research and Research Training	AKT/mTOR Pathway in Obesity and Colorectal Cancer (CRC): Molecular Interconnections and Potential Clinical Applications (CTR Obesity)	93.859	University of South Dakota	A19-0079-S001/A19-0079-S002-A02	8,065	-
Biomedical Research and Research Training	Artificial intelligence (AI)-based early cancer diagnosis using chromatin architectures in cell-free DNA (CTR Cell Free DNA)	93.859	University of North Dakota	U54GM128729	196	-
Biomedical Research and Research Training	Breast cancer patterns and behavior in American Indians in the US	93.859	University of North Dakota	U54GM128729	47,247	-
Biomedical Research and Research Training	Comparison of antibodies against SARS-CoV-2 in cancer and non-cancer pediatric patients in South Dakota	93.859	University of North Dakota	UND0026620-S4	42,107	31,002
Biomedical Research and Research Training	A Comprehensive Approach to Head and Neck Cancer Prehabilitation	93.859	University of North Dakota	U54GM128729	6,742	-
Biomedical Research and Research Training	Dakota Cancer Collaborative on Translational Activity (DACCOTA)	93.859	University of North Dakota	1U54GM128729/UND0024520-SI	363,727	-
Biomedical Research and Research Training	Dakota Cancer Collaborative on Translational Activity- Biostats, Epidemiology, and Research Design Core (BERDC)	93.859	University of North Dakota	1U54GM128729	20,535	-
Biomedical Research and Research Training	Design of Humanoid Testbeds of Breast Cancer	93.859	North Dakota State University	FAR0033235/FAR0033823	349	-
Biomedical Research and Research Training	Detection of antibodies against SARS-CoV-2 in cancer patients	93.859	University of South Dakota	A21-0033-S01	3,770	-
Biomedical Research and Research Training	The Feasibility of the MAGIC-N tool for Detecting Clinical Signs of CIPN in Preverbal and Non-Verbal Pediatric Cancer Patients	93.859	University of North Dakota	U54 GM128729	2,665	-

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Cluster/Program	Program Title	Federal ALN Number	Pass-through Agency	Grantor Agency or Pass-through Identification Number	Expenditures	Expenditures Passed-through to Subrecipients
Biomedical Research and Research Training	Injury Rates and Physical Activity in Youth Football: Tackle vs. Flag	93.859	University of South Dakota	A21-0001-S0001	\$ 17,075	\$ -
Biomedical Research and Research Training	Interplay between cholesterol metabolism and extracellular vesicles in head and neck cancer	93.859	University of North Dakota	5U54GM128729	3,713	-
Biomedical Research and Research Training	Investigating the utility of circulating tumor DNA in predicting outcomes following definitive multimodality therapy for locally advanced esophageal/gastroesophageal junction cancer	93.859	University of North Dakota	UND0025420-S5	4,057	-
Biomedical Research and Research Training	Prognostic and Therapeutic Value of Two IDG Focus Kinases in Breast Cancer Treatment	93.859	North Dakota State University	FAR0033130/FAR0033821	12,613	-
Biomedical Research and Research Training	Smart IoT system for Obstructive Sleep Apnea Monitoring and Forecasting in Cancer	93.859	North Dakota State University	FAR0034526	15,454	-
Biomedical Research and Research Training	To investigate the efficacy of RAGE inhibitors combined with dacarbazine and vemurafenib in human patient derived xenograft models of melanoma (Rage 2)	93.859	North Dakota State University	FAR003380/FAR0033817	617	-
Biomedical Research and Research Training	Tool for monitoring Chemotherapy induced peripheral neuropathy (CIPN)	93.859	University of North Dakota	U54GM128729	8,784	-
Biomedical Research and Research Training	Treatment of Cognitive Impairments in Cancer	93.859	Great Plains Veterans Research Foundation	U54GM128739	6,615	-
Biomedical Research and Research Training	Tumor innervation in ovarian cancer	93.859	University of North Dakota	UND0025420-S2	195,463	-
Child Health and Human Development Extramural Research	Cooperative Multicenter Neonatal Research Network (NRN) Satellite Site	93.865	University of Iowa	2U10 HD053109-14	97,401	-
Aging Research	Brown University Music and Memory Program	93.866	Brown University	5-270748	9,761	-
Vision Research	Determining the role of CLN3 in the eye	93.867	University of Rochester	R01EY030183-01	17,632	-
N/A	Adaptive Platform Treatment Trial for Outpatients with COVID-19 (Adapt Out COVID) /ACTIV-2/A5401 (Fargo)	93.RD	PPD Investigator Services	HHSN272201700078C	185,485	-
Total Department of Health and Human Services Pass-through Programs					2,429,569	31,002

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Cluster/Program	Program Title	Federal ALN Number	Pass-through Agency	Grantor Agency or Pass-through Identification Number	Expenditures	Expenditures Passed-through to Subrecipients
Department of Education Pass-through Programs						
Twenty-First Century Community Learning Centers	VOA 21st Century Kids Campus Program	84.287	Volunteers of America, Dakotas	N/A	\$ 1,342	\$ -
Twenty-First Century Community Learning Centers	Volunteer of America, Dakotas 21st Century Community Learning Center Program (VOA STARS sub- Youth Ctr)	84.287	Volunteers of America, Dakotas	S287C200042	2,238	-
Twenty-First Century Community Learning Centers	Volunteers of America, Dakotas Kidz Count 21st Century	84.287	Volunteers of America, Dakotas	N/A	4,590	-
Total Department of Education Pass-through Programs					<u>8,170</u>	<u>-</u>
Total Research and Development Cluster					<u>12,145,807</u>	<u>895,331</u>
Housing Voucher Cluster						
Department of Housing and Urban Development Direct Programs						
Section 8 Housing Choice Vouchers	Section 8 Housing Assistance Payment Program (Boise)	14.871	N/A	N/A	148,168	-
Section 8 Housing Choice Vouchers	Section 8 Housing Assistance Payment Program (Prophetstown)	14.871	N/A	N/A	138,817	-
Total Department of Housing and Urban Development Direct Programs					<u>286,985</u>	<u>-</u>
Total Housing Voucher Cluster					<u>286,985</u>	<u>-</u>
Transit Services Programs Cluster						
Department of Transportation Pass-through Program						
Enhanced Mobility of Seniors and Individuals with Disabilities	Lyons 5310 Transportation 2020	20.513	Kansas Department of Transportation	PT-1002-21	56,280	-
Total Department of Transportation Pass-through Program					<u>56,280</u>	<u>-</u>
Total Transit Services Programs Cluster					<u>56,280</u>	<u>-</u>

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Cluster/Program	Program Title	Federal ALN Number	Pass-through Agency	Grantor Agency or Pass-through Identification Number	Expenditures	Expenditures Passed-through to Subrecipients
Highway Safety Cluster						
Department of Transportation Pass-through Programs						
National Priority Safety Programs	Child Passenger Safety 2020-2021	20.616	North Dakota Department of Health	PF19.160	\$ 7,769	\$ -
National Priority Safety Programs	Child Passenger Safety 2021-2022	20.616	North Dakota Department of Health	PF21.046	4,332	-
Total Department of Transportation Pass-through Programs					<u>12,101</u>	<u>-</u>
Total Highway Safety Cluster					<u>12,101</u>	<u>-</u>
Student Financial Aid Cluster						
Department of Education Direct Program						
Federal Pell Grant Program	Pell Grant	84.063	N/A	N/A	8,163	-
Total Department of Education Direct Program					<u>8,163</u>	<u>-</u>
Total Student Financial Aid Cluster					<u>8,163</u>	<u>-</u>
Aging Services Cluster						
Department of Health and Human Services Pass-through Program						
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	COVID-19 Home Services	93.044	South Dakota Department of Health	21SC193141	2,994	-
Total Department of Health and Human Services Pass-through Program					<u>2,994</u>	<u>-</u>
Total Aging Services Cluster					<u>2,994</u>	<u>-</u>
Child Care and Development Fund Cluster						
Department of Health and Human Service Pass-through Programs						
Child Care and Development Block Grant	2021-2022 ND Child Care Stabilization Grant - COVID-19	93.575	North Dakota Department of Human Services	N/A	23,400	-
Child Care and Development Block Grant	CDA Instructor of Record	93.575	South Dakota Department of Social Services	22-0843	8,086	-

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Cluster/Program	Program Title	Federal ALN Number	Pass-through Agency	Grantor Agency or Pass-through Identification Number	Expenditures	Expenditures Passed-through to Subrecipients
Child Care and Development Block Grant	Child Care Quality Improvement	93.575	Nebraska Department of Health and Human Services	N/A	\$ 1,000	\$ -
Child Care and Development Block Grant	FP Social Emotional Program	93.575	South Dakota Department of Social Services	21-0843-661	27,859	-
Child Care and Development Block Grant	Region 5 Early Childhood Enrichment	93.575	South Dakota Department of Social Services	20-0843-608	655,382	-
Child Care and Development Block Grant	Region 3 Early Childhood Enrichment	93.575	South Dakota Department of Social Services	20-0843-606	268,331	-
Child Care and Development Block Grant	Region 3 SD CDA Training Program	93.575	South Dakota Department of Social Services	22-0843-637	620	-
Child Care and Development Block Grant	Region 5 SD CDA Training Program	93.575	South Dakota Department of Social Services	22-0843-638	7,950	-
Child Care and Development Block Grant	Region 3 SD CPR Training Program	93.575	South Dakota Department of Social Services	22-0843-637	270	-
Child Care and Development Block Grant	Region 5 SD CPR Training Program	93.575	South Dakota Department of Social Services	22-0843-638	1,620	-
Child Care and Development Block Grant	Responsive Parenting SF - Region 5 2021-2022	93.575	South Dakota Department of Social Services	22-0800-060	20,127	-
Child Care and Development Block Grant	Responsive Parenting ABER -Region 3 2021-2022	93.575	South Dakota Department of Social Services	22-0800-059	9,054	-
Total Department of Health and Human Services Pass-through Programs					<u>1,023,699</u>	<u>-</u>
Total Child Care and Development Fund Cluster					<u>1,023,699</u>	<u>-</u>

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Foster Grandparent/Senior Companion Cluster						
Corporation of National and Community Service Direct Program						
Senior Companion Program	Senior Companion Program (2021-2024)	94.016		18SCNSD001/21S CESD001	\$ 274,475	\$ -
Total Corporation of National and Community Service Direct Program					<u>274,475</u>	<u>-</u>
Total Foster Grandparent/Senior Companion Cluster					<u>274,475</u>	<u>-</u>
Non-Cluster Programs						
Department of Agriculture Pass-through Programs						
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	Public Health Alliance Deuel County (Clear Lake)	10.557	South Dakota Department of Health	21SC091311/22SC 091311	8,932	-
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	WIC and PC	10.557	North Dakota Department of Health	G19.1020/G21.42 0	52,409	-
Child and Adult Care Food Program	Fargo USDA Food Program 2020-21	10.558	North Dakota Department of Public Instruction	N/A	11,919	-
Child and Adult Care Food Program	Fargo USDA Food Program 2021-22	10.558	North Dakota Department of Public Instruction	N/A	3,109	-
Child and Adult Care Food Program	Hastings USDA Daycare Program	10.558	Nebraska Department of Agriculture	N/A	21,707	-
Child and Adult Care Food Program	Healthy Meals Children's Ark Daycare 2021	10.558	Nebraska Department of Agriculture	N/A	676	-
Child and Adult Care Food Program	Sioux Falls Food Daycare Network (FDCN) 2020-2021	10.558	South Dakota Department of Education	2020G- CACFP49714	1,853,222	-
Total Department of Agriculture Pass-through Programs					<u>1,951,975</u>	<u>-</u>
Department of Housing and Urban Development Direct Programs						
Supportive Housing for the Elderly	Supportive Housing for the Elderly - Direct Loan (Prophetstown)	14.157	N/A	N/A	503,490	-

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Supportive Housing for the Elderly	Supportive Housing for the Elderly - Direct Loan (Boise)	14.157	N/A	N/A	\$ 153,860	\$ -
	Total Department of Housing and Urban Development Direct Programs				<u>657,350</u>	<u>-</u>
Department of Housing and Urban Development Pass-through Program						
Emergency Solutions Grant Program	ESG-CV2 Housing Assistance	14.231	Minnesota Department of Human Services	189770	46,567	-
	Total Department of Housing and Urban Development Pass-through Program				<u>46,567</u>	<u>-</u>
Department of Justice Direct Program						
Services for Trafficking Victims	Call to Freedom	16.320	N/A	2019-VT-BX-0100	51,358	-
	Total Department of Justice Direct Program				<u>51,358</u>	<u>-</u>
Department of Justice Pass-through Programs						
Crime Victim Assistance	2020-21 CACSD VOCA	16.575	South Dakota Department of Public Safety	2021-1441-00054	30,396	-
Crime Victim Assistance	CAWS VOCA contract	16.575	CAWS North Dakota	N/A	24,142	-
Crime Victim Assistance	Child's Voice VOCA 2020-2021	16.575	South Dakota Department of Public Safety	2021-1441-00037	170,777	-
Crime Victim Assistance	Child's Voice VOCA 2021-2022	16.575	South Dakota Department of Public Safety	2022-1441-10030	129,178	-
Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program	Sane Child's Voice	16.589	University of South Dakota	A19-0042-S001	3,783	-
Improving the Investigation and Prosecution of Child Abuse and the Regional and Local Children's Advocacy Centers	CACSD Annual MN Subaward 2021	16.758	Children's Minnesota (DOJ)	91035-2020-10	15,000	-
Improving the Investigation and Prosecution of Child Abuse and the Regional and Local Children's Advocacy Centers	CACSD Prime Grant through National Children's Alliance	16.758	National Children's Alliance	SIOU-SD-4OC21	74,953	-

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Improving the Investigation and Prosecution of Child Abuse and the Regional and Local Children's Advocacy Centers	CACSD Statewide Project Support 2021	16.758	National Children's Alliance	SIOU-SD-4SP21	\$ 13,158	\$ -
Total Department of Justice Pass-through Programs					461,387	-
Department of Transportation Pass-through Programs						
Formula Grants for Rural Areas and Tribal Transit Program	Albion 5311 Transportation Program 2020-2021	20.509	Nebraska Department of Transportation	P-I-18-59-000	7,578	-
Formula Grants for Rural Areas and Tribal Transit Program	Albion 5311 DOT Program 2021-2023	20.509	Nebraska Department of Transportation	P-I-21-81-000	6,714	-
Total Department of Transportation Pass-through Programs					14,292	-
Department of Treasury Pass-through Programs						
Coronavirus State and Local Fiscal Recovery Funds	Arizona COVID-19 Stimulus Pass Through 2021	21.027	Arizona Department of Health and Human Services	N/A	84,717	-
Coronavirus State and Local Fiscal Recovery Funds	Arlington HVAC Upgrade	21.027	Ohio Bureau of Workers Compensation	N/A	7,482	-
Coronavirus State and Local Fiscal Recovery Funds	Canton CMS COVID-19 Targeted Training	21.027	South Dakota Department of Health	N/A	5,000	-
Coronavirus State and Local Fiscal Recovery Funds	GSS Moscow - Idaho CFAC Stabilization Round 3 (COVID-19)	21.027	Idaho Department of Health and Welfare	N/A	14,400	-
Coronavirus State and Local Fiscal Recovery Funds	Hastings Child Care Stabilization 2 (NCCF)	21.027	Nebraska Children and Families Foundation	N/A	5,550	-
Coronavirus State and Local Fiscal Recovery Funds	Rawlins County SPARK Funds (COVID-19)	21.027	Rawlins County	N/A	7,600	-
Coronavirus State and Local Fiscal Recovery Funds	Reaching Underserved Traumatized Youth During COVID-19	21.027	Minnesota Department of Human Services	187466	36,683	-
Coronavirus State and Local Fiscal Recovery Funds	Sheldon COVID-19 Lab Staffing	21.027	Iowa Economic Department Authority	N/A	33,876	-
Coronavirus State and Local Fiscal Recovery Funds	SLMH Pandemic Mini-Grant (COVID-19)	21.027	Minnesota Department of Human Services	187471	36,683	-

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Cluster/Program	Program Title	Federal ALN Number	Pass-through Agency	Grantor Agency or Pass-through Identification Number	Expenditures	Expenditures Passed-through to Subrecipients
Coronavirus State and Local Fiscal Recovery Funds	Syracuse Child Care Stabilization 2 (NCFE)	21.027	Nebraska Children and Families Foundation	N/A	\$ 5,550	\$ -
Coronavirus State and Local Fiscal Recovery Funds	Syracuse COVID-19 Child Care Stabilization 2021	21.027	Nebraska Department of Health and Human Services	N/A	281	-
Coronavirus State and Local Fiscal Recovery Funds	Bemidji LTC Employee Retention COVID-19	21.027	Minnesota Department of Health	N/A	142,488	-
Coronavirus State and Local Fiscal Recovery Funds	Canby LTC Employee Retention COVID-19	21.027	Minnesota Department of Health	N/A	110,025	-
Coronavirus State and Local Fiscal Recovery Funds	GSS MN Employee Retention COVID-19	21.027	Minnesota Department of Human Services	N/A	2,142,877	-
Coronavirus State and Local Fiscal Recovery Funds	Montana COVID-19 Stimulus Funding 2021	21.027	State of Montana	N/A	132,973	-
Coronavirus State and Local Fiscal Recovery Funds	Oregon LTC Employee Retention COVID-19	21.027	State of Oregon	N/A	82,500	-
Total Department of Treasury Pass-through Programs					<u>2,848,685</u>	<u>-</u>
Federal Communications Commission Direct Program						
COVID-19 Telehealth Program	FCC COVID-19 Round 2 Application	32.006	N/A	N/A	<u>772,140</u>	<u>-</u>
Total Federal Communications Commission Program					<u>772,140</u>	<u>-</u>
National Endowment for the Arts Pass-through Programs						
Promotion of the Arts Partnership Agreements	Artists in Schools and Communities	45.025	South Dakota Arts Council	N/A	19,332	-
Promotion of the Arts Partnership Agreements	Artists in Schools and Communities Grant	45.025	South Dakota Arts Council	N/A	600	-
Total National Endowment for the Art Pass-through Programs					<u>19,932</u>	<u>-</u>
Department of Energy Pass-through Program						
State Energy Program	Fargo LED Lighting Retrofit	81.041	North Dakota Department of Commerce	4589-SEP19-B	6,052	-
Total Department of Energy Pass-through Program					<u>6,052</u>	<u>-</u>

(Continued)

SANFORD

CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021

Cluster/Program	Program Title	Federal ALN Number	Pass-through Agency	Grantor Agency or Pass-through Identification Number	Expenditures	Expenditures Passed-through to Subrecipients
Department of Health and Human Services Direct Programs						
Telehealth Programs	HRSA Telehealth Network Program Grant	93.211	N/A	H2ARH39967	\$ 301,686	\$ 48,750
Substance Abuse and Mental Health Services Projects of Regional and National Significance	Rural Emergency Medical Services	93.243	N/A	1H79FG0003344-01; NCE: 6H79FG000344-01M002	104,051	-
Substance Abuse and Mental Health Services Projects of Regional and National Significance	SAMHSA Rural EMST Training Grant	93.243	N/A	1H79TI083830-01	6,335	-
Multiple Approaches to Support Young Breast Cancer Survivors and Metastatic Breast Cancer Patients	Multiple Approaches to Support Young Breast Cancer Survivors and Metastatic Breast Cancer Patients	93.376	N/A	1 NU58DP006676-01-00	527,099	-
COVID-19 Testing for the Uninsured Provider Relief Fund	COVID-19 Testing for Uninsured CARES Act COVID-19 Relief Fund	93.461	N/A	N/A	5,336,573	-
COVID-19 Testing for the Uninsured Provider Relief Fund	COVID-19 Testing for Uninsured CARES Act COVID-19 Relief Fund	93.498	N/A	N/A	253,372,165	-
COVID-19 Testing for the Uninsured Provider Relief Fund	COVID-19 Testing for Uninsured CARES Act COVID-19 Relief Fund	93.498	N/A	N/A	26,013,431	-
COVID-19 Testing for Rural Health Clinics	Rural Health Clinic COVID-19 Testing Relief Fund	93.697	N/A	N/A	309,257	-
COVID-19 Testing for Rural Health Clinics	Rural Health Clinic COVID-19 Testing & Mitigation Relief Fund	93.697	N/A	N/A	997,982	-
Empowering Older Adults and Adults with Disabilities through Chronic Disease Self-Management Education Programs – financed by Prevention and Public Health Funds (PPHF)	2020 Integrated Networks to Deliver Evidence Based CDSME Programs	93.734	N/A	90CSSG0034-01-00	362,398	-
Evidence-Based Falls Prevention Programs Financed Solely by Prevention and Public Health Funds (PPHF)	A Community Partnership to Prevent Injury Falls	93.761	N/A	90FPSG0043-01-00	60,112	-
Section 223 Demonstration Programs to Improve Community Mental Health Services	CCBHC Expansion Grant	93.829	N/A	6H79SM083256-01M001	433,019	-
Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement	Bemidji COVID-19 RHC Vaccine Confidence	93.912	N/A	G29RH43396-01-00	4,407	-

(Continued)

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CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021

Cluster/Program	Program Title	Federal ALN Number	Pass-through Agency	Grantor Agency or Pass-through Identification Number	Expenditures	Expenditures Passed-through to Subrecipients
Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement	Families First: Rural Maternity Health Collaborative	93.912	N/A	6UK9RH43498-01-01	\$ 18,177	\$ -
Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement	Fargo Clinic COVID-19 RHC Vaccine Confidence	93.912	N/A	G29RH43306-01-00	9,059	-
Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement	Fargo Network COVID-19 RHC Vaccine Confidence	93.912	N/A	G29RH43462-01-00	44,809	48,750
Total Department of Health and Human Services Direct Programs					287,900,559	48,750
Department of Health and Human Services Pass-through Programs						
Public Health Emergency Preparedness	Public Health Alliance Deuel County (Clear Lake)	93.069	South Dakota Department of Health	21SC091311/22SC091311	421	-
Blood Disorder Program: Prevention, Surveillance, and Research	(CDC) Fargo Hemophilia ATHN Grant GLHF	93.080	Great Lakes Hemophilia Foundation	ATJM2020CDC-VW-562-01	21,250	-
Blood Disorder Program: Prevention, Surveillance, and Research	(CDC) Sioux Falls Hemophilia - ATHN Grant GLHF	93.080	Great Lakes Hemophilia Foundation	ATHN2020CDC-VW-573-01	4,233	-
Maternal and Child Health Federal Consolidated Programs	Community Interdisciplinary Training - NICU	93.110	University of South Dakota School of Medicine	21-1520-008	500	-
Maternal and Child Health Federal Consolidated Programs	Hemophilia Program Income - Fargo	93.110	Great Lakes Hemophilia Foundation	N/A	596,107	-
Maternal and Child Health Federal Consolidated Programs	(HRSA) Fargo Hemophilia HTC	93.110	Great Lakes Hemophilia Foundation	H30MC24052 Amendment 3	14,326	-
Maternal and Child Health Federal Consolidated Programs	(HRSA) Fargo Hemophilia HTC 2021-2022	93.110	Great Lakes Hemophilia Foundation	H30MC24052 Amendment 4	17,202	-
Maternal and Child Health Federal Consolidated Programs	(HRSA) SF Hemophilia HTC	93.110	Great Lakes Hemophilia Foundation	H30MC24052 Amendment 3	6,672	-
Maternal and Child Health Federal Consolidated Programs	(HRSA) SF Hemophilia HTC 2021-2022	93.110	Great Lakes Hemophilia Foundation	H30MC24052 Amendment 4	1,146	-
Maternal and Child Health Federal Consolidated Programs	North Dakota Pediatric Mental Health Care Access Program	93.110	North Dakota Department of Health	G19.613	371,255	-

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CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021

Cluster/Program	Program Title	Federal ALN Number	Pass-through Agency	Grantor Agency or Pass-through Identification Number	Expenditures	Expenditures Passed-through to Subrecipients
Rural Health Research Centers	SHIP ARP COVID-19 2021-2022 Vermillion	93.155	South Dakota Department of Health	22SC093231	\$ 68,933	\$ -
Family Planning Services	2021-2022 Combined Site Family Planning Clinics - SD	93.217	South Dakota Department of Health	22SC091895	177,050	-
Family Planning Services	Aberdeen Family Planning	93.217	South Dakota Department of Health	21SC090175	1,296	-
Family Planning Services	Dickinson Family Planning 2021-2022	93.217	North Dakota Department of Health	G19.630/G19.124 5	35,217	-
State Rural Hospital Flexibility Program	SD DOH ENPC Grant	93.241	South Dakota Department of Health	22SC090428	18,721	-
State Rural Hospital Flexibility Program	FLEX 2020 -21 Chamberlain	93.241	South Dakota Department of Health	21SC90794	16,000	-
State Rural Hospital Flexibility Program	FLEX 2020-21 Vermillion	93.241	South Dakota Department of Health	21SC090791	16,510	-
State Rural Hospital Flexibility Program	FLEX 2020-21-Clear Lake	93.241	South Dakota Department of Health	21SC90792	9,300	-
State Rural Hospital Flexibility Program	Sioux Falls TNCC Training 2020-2021	93.241	South Dakota Department of Health	21SC090606	14,656	-
State Rural Hospital Flexibility Program	Sioux Falls TNCC Training 2021-2022	93.241	South Dakota Department of Health	21SC090606	27,861	-
Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	SDOH Expansion to Brookings 2020-2022	93.246	South Dakota Department of Health	21SCO90184/22S C090184	54,891	-
Immunization Cooperative Agreements	MN EHR Consortium COVID-19 Project	93.268	Hennepin Healthcare Research Institute	N/A	63,200	-
Immunization Cooperative Agreements	Public Health Alliance Deuel County (Clear Lake)	93.268	South Dakota Department of Health	21SC091311/22SC 091311	6,771	-
Immunization Cooperative Agreements	SD COVID-19 Vaccine Program	93.268	South Dakota Department of Health	21SC090204	750,000	-
Immunization Cooperative Agreements	SD COVID-19 Vaccine Grant (Phase II)	93.268	South Dakota Department of Health	22SC091773	13,500	-
Small Rural Hospital Improvement Grant Program	COVID-19 SHIP - Sheldon	93.301	Iowa Department of Health	5886BT393	13,444	-
Small Rural Hospital Improvement Grant Program	SHIP - IA - Sheldon 20-21	93.301	Iowa Department of Health	N/A	10,377	-

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CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021

Cluster/Program	Program Title	Federal ALN Number	Pass-through Agency	Grantor Agency or Pass-through Identification Number	Expenditures	Expenditures Passed-through to Subrecipients
Small Rural Hospital Improvement Grant Program	COVID-19 SHIP Bagley	93.301	Minnesota Department of Health	176196	\$ 57,267	\$ -
Small Rural Hospital Improvement Grant Program	COVID-19 SHIP Canby	93.301	Minnesota Department of Health	176227	41,446	-
Small Rural Hospital Improvement Grant Program	COVID-19 SHIP Jackson	93.301	Minnesota Department of Health	176280	84,317	-
Small Rural Hospital Improvement Grant Program	COVID-19 SHIP Luverne	93.301	Minnesota Department of Health	176309	20,633	-
Small Rural Hospital Improvement Grant Program	COVID-19 SHIP Tracy	93.301	Minnesota Department of Health	176473	78,887	-
Small Rural Hospital Improvement Grant Program	COVID-19 SHIP Westbrook	93.301	Minnesota Department of Health	176485	76,317	-
Small Rural Hospital Improvement Grant Program	COVID-19 SHIP Worthington	93.301	Minnesota Department of Health	176491	45,635	-
Small Rural Hospital Improvement Grant Program	COVID-19 SHIP Wheaton	93.301	Minnesota Department of Health	180498	10,200	-
Small Rural Hospital Improvement Grant Program	SHIP FY19-21 MN-Bagley	93.301	Minnesota Department of Health	159416-PO3-66480/195169	12,913	-
Small Rural Hospital Improvement Grant Program	SHIP - Canby FY20-21	93.301	Minnesota Department of Health	179440/195277	10,114	-
Small Rural Hospital Improvement Grant Program	SHIP - Jackson FY20-21	93.301	Minnesota Department of Health	179999/195256	10,114	-
Small Rural Hospital Improvement Grant Program	SHIP - Luverne FY20-21	93.301	Minnesota Department of Health	180029/195260	10,114	-
Small Rural Hospital Improvement Grant Program	SHIP - Thief River Falls FY20-21	93.301	Minnesota Department of Health	180479/195292	10,114	-
Small Rural Hospital Improvement Grant Program	SHIP - Tracy FY20-21	93.301	Minnesota Department of Health	180480/1925294	10,114	-
Small Rural Hospital Improvement Grant Program	SHIP - Westbrook FY20-21	93.301	Minnesota Department of Health	180490/195424	10,114	-
Small Rural Hospital Improvement Grant Program	SHIP - Worthington FY20-21	93.301	Minnesota Department of Health	180511/195438	10,114	-
Small Rural Hospital Improvement Grant Program	SHIP - Wheaton FY20-21	93.301	Minnesota Department of Health	180498/195425	10,114	-
Small Rural Hospital Improvement Grant Program	COVID-19 SHIP 2020-2021 Hillsboro	93.301	North Dakota Department of Health	H3JRH37441	75,567	-

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CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021

Cluster/Program	Program Title	Federal ALN Number	Pass-through Agency	Grantor Agency or Pass-through Identification Number	Expenditures	Expenditures Passed-through to Subrecipients
Small Rural Hospital Improvement Grant Program	COVID-19 SHIP 2020-2021 Mayville	93.301	North Dakota Department of Health	H3JRH37441	\$ 69,529	\$ -
Small Rural Hospital Improvement Grant Program	SHIP Hillsboro FY20-21	93.301	North Dakota Department of Health	24724S25/26445S16	9,641	-
Small Rural Hospital Improvement Grant Program	SHIP - Mayville FY20-21	93.301	North Dakota Department of Health	24724S26/25974S26	9,641	-
Small Rural Hospital Improvement Grant Program	COVID-19 SHIP Canton	93.301	South Dakota Department of Health	21SC093016	51,959	-
Small Rural Hospital Improvement Grant Program	COVID-19 SHIP Chamberlain	93.301	South Dakota Department of Health	21SC093014	45,636	-
Small Rural Hospital Improvement Grant Program	COVID-19 SHIP Clear Lake	93.301	South Dakota Department of Health	21SC093015	9,192	-
Small Rural Hospital Improvement Grant Program	COVID-19 SHIP Vermillion	93.301	South Dakota Department of Health	21SC093003	36,065	-
Small Rural Hospital Improvement Grant Program	COVID-19 SHIP Webster	93.301	South Dakota Department of Health	21SC093013	83,648	-
Small Rural Hospital Improvement Grant Program	SHIP FY20-21 Aberdeen	93.301	South Dakota Department of Health	21SC093633/22SC093633	11,855	-
Small Rural Hospital Improvement Grant Program	SHIP FY20-21 SD-Canton	93.301	South Dakota Department of Health	21SC093635/22SC093635	11,855	-
Small Rural Hospital Improvement Grant Program	SHIP FY20-21 SD-Chamberlain	93.301	South Dakota Department of Health	21SC093632/22SC093632	11,855	-
Small Rural Hospital Improvement Grant Program	SHIP FY20-21 SD-Clear Lake	93.301	South Dakota Department of Health	21SC093634/22SC093634	11,855	-
Small Rural Hospital Improvement Grant Program	SHIP FY20-21 SD-Vermillion	93.301	South Dakota Department of Health	21SC093631/22SC093631	11,855	-
Small Rural Hospital Improvement Grant Program	SHIP FY20-21 SD-Webster	93.301	South Dakota Department of Health	21SC093630/22SC093630	11,855	-
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	SD COVID-19 Lab Equipment	93.323	South Dakota Department of Health	N/A	2,073,675	-
Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises	Community Health Worker Implementation Across SD (COVID-19)	93.391	South Dakota Department of Health	22SC090926	14,713	-

(Continued)

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CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021

Cluster/Program	Program Title	Federal ALN Number	Pass-through Agency	Grantor Agency or Pass-through Identification Number	Expenditures	Expenditures Passed-through to Subrecipients
Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises	MN EHR Consortium COVID-19 Phase2	93.391	Hennepin Healthcare Research Institute	14330-11	\$ 39,000	\$ -
Improving the Health of Americans through Prevention and Management of Diabetes and Heart Disease and Stroke	Diabetes Prevention Program	93.426	South Dakota Department of Health	21SC090011/22SC 090184	1,422	-
Improving the Health of Americans through Prevention and Management of Diabetes and Heart Disease and Stroke	Social Determinates of Health in ND	93.426	North Dakota Department of Health	G19.846/G19.132 7	126,522	-
Reinvestment of Civil Money Penalties to Benefit Nursing Home Residents	ArtTherapy4Life CMP Grant	93.636	Tennessee Department of Health	N/A	1,000	-
Reinvestment of Civil Money Penalties to Benefit Nursing Home Residents	Civil Money Penalty Technology Grants (COVID-19)	93.636	State Offices, Center for Medicaid and Medicare	N/A	12,523	-
Reinvestment of Civil Money Penalties to Benefit Nursing Home Residents	Colorado COVID-19 CMP Visitation	93.636	Colorado Department of Public Health and Environment	N/A	1,674	-
Reinvestment of Civil Money Penalties to Benefit Nursing Home Residents	GSS Spokane Valley COVID-19 CMP Visitation	93.636	Washington Department of Social and Health Services	N/A	1,190	-
Reinvestment of Civil Money Penalties to Benefit Nursing Home Residents	Hawaii COVID-19 CMP Visitation Project	93.636	Hawaii Department of Health	N/A	1,442	-
Reinvestment of Civil Money Penalties to Benefit Nursing Home Residents	Idaho COVID-19 CMP Visitation	93.636	Idaho Department of Health	N/A	18	-
Reinvestment of Civil Money Penalties to Benefit Nursing Home Residents	Minnesota COVID-19 CMP Visitation	93.636	Minnesota Department of Health	N/A	5,439	-
Reinvestment of Civil Money Penalties to Benefit Nursing Home Residents	New Mexico (Las Cruces) COVID-19 CMP Visitation	93.636	New Mexico Department of Health	N/A	2,680	-
Reinvestment of Civil Money Penalties to Benefit Nursing Home Residents	Ohio COVID-19 CMP Visitation	93.636	Ohio Department of Medicaid	N/A	2,200	-
Reinvestment of Civil Money Penalties to Benefit Nursing Home Residents	Wisconsin COVID-19 CMP Visitation	93.636	Wisconsin Department of Health Services	N/A	2,337	-
ACA-Transforming Clinical Practice Initiative: Practice Transformation Networks (PTNs)	Sanford Pinnacle Practices	93.638	Iowa Health Collaborative	N/A	12,244	-

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CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021

Cluster/Program	Program Title	Federal ALN Number	Pass-through Agency	Grantor Agency or Pass-through Identification Number	Expenditures	Expenditures Passed-through to Subrecipients
ACA-Transforming Clinical Practice Initiative: Practice Transformation Networks (PTNs)	Wahpeton Colon Cancer Screening Spring 2021	93.638	North Dakota Department of Health	G19.1206	\$ 11,867	\$ -
Emergency Grants to Address Mental and Substance Use Disorders During COVID-19	Emergency COVID-19 Healthcare Worker Support	93.665	North Dakota Department of Human Services	510-11751	131,501	-
Child Abuse and Neglect State Grants	First Steps to Healthy Babies, Phase II	93.669	Minnesota Department of Human Services	GRK164280	112,039	-
Child Abuse and Neglect State Grants	Training to the Division of Child Protection Services 2021-2022	93.669	South Dakota Department of Social Services	20-0800-085/21-0800-075	2,086	-
Opioid STR	FY21 Targeted Opioid Treatment Prevention and Recovery Services	93.788	Minnesota Department of Human Services	194206	40,723	-
Opioid STR	Targeted Opioid Treatment, Prevention and Recovery Services	93.788	Minnesota Department of Human Services	GRK160371	79,423	-
Organized Approaches to Increase Colorectal Cancer Screening	Colorectal Cancer Screening in Clinic Settings 2021-2022	93.800	South Dakota Department of Health	21SC091595/22SC091595	33,182	-
National Bioterrorism Hospital Preparedness Program	Prescott AZHER Grant	93.889	Arizona Coalition for Health Emergency Response	N/A	4,062	-
National Bioterrorism Hospital Preparedness Program	Bismarck - ASPR HPP COVID-19 Funds	93.889	North Dakota Hospital Association	N/A	82,415	-
National Bioterrorism Hospital Preparedness Program	Fargo - ASPR HPP COVID-19 Funds	93.889	North Dakota Hospital Association	N/A	141,042	-
National Bioterrorism Hospital Preparedness Program	Hillsboro - ASPR HPP COVID-19 Funds	93.889	North Dakota Hospital Association	N/A	16,505	-
National Bioterrorism Hospital Preparedness Program	Mayville - ASPR HPP COVID-19 Funds	93.889	North Dakota Hospital Association	N/A	16,715	-
National Bioterrorism Hospital Preparedness Program	SMC-Fargo HPP Admin Supplement (COVID-19)	93.889	North Dakota Department of Health	G19-680	361,896	-
National Bioterrorism Hospital Preparedness Program	GSS Albert Lea/Austin HPP COVID-19 (Mayo)	93.889	Mayo Clinic	N/A	2,342	-
National Bioterrorism Hospital Preparedness Program	Bemidji - NW Region Emergency Preparedness	93.889	Minnesota Department of Health	160775	155,386	-
National Bioterrorism Hospital Preparedness Program	HPP COVID-19 Supplemental Funding - HCCs	93.889	Minnesota Department of Health	185022	224,915	-

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CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021

Cluster/Program	Program Title	Federal ALN Number	Pass-through Agency	Grantor Agency or Pass-through Identification Number	Expenditures	Expenditures Passed-through to Subrecipients
National Bioterrorism Hospital Preparedness Program	SF-HPP Coalition 2020-2021	93.889	South Dakota Department of Health	21SCO90082	\$ 25,000	\$ -
National Bioterrorism Hospital Preparedness Program	Canby Swept	93.889	Southwest Emergency Medical Services	N/A	3,150	-
National Bioterrorism Hospital Preparedness Program	Jackson Swept	93.889	Southwest Emergency Medical Services	N/A	3,150	-
National Bioterrorism Hospital Preparedness Program	Tracy Swept	93.889	Southwest Emergency Medical Services	N/A	3,150	-
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	Improving Women's Cancer Screening in Southeast North Dakota	93.898	North Dakota Department of Health	G19.371A	4,852	-
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	Sanford Valley City Tobacco Cessation	93.898	North Dakota Department of Health	G19.1049	4,899	-
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	All Women Count 2020-2021	93.898	South Dakota Department of Health	21SCO90213	4,500	-
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	All Women Count 2021-2022	93.898	South Dakota Department of Health	22SC090213	4,500	-
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	Breast and Cervical Cancer Patient Navigation	93.898	South Dakota Department of Health	22SC090885	28,708	-
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	Breast and Cervical Cancer Patient Navigation	93.898	South Dakota Department of Health	21SC090885	16,206	-
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	Walk in Mammograms	93.898	South Dakota Department Health	22SC090462	9,965	-
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	Luverne Swept	93.898	Southwest Emergency Medical Services	N/A	3,150	-
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	Westbrook Swept	93.898	Southwest Emergency Medical Services	N/A	3,150	-
Block Grants for Prevention and Treatment of Substance Abuse	UMMHC - Connect Individuals Releasing from Corrections to Recovery Support	93.959	Minnesota Department of Human Services	GRK133966	143,999	-

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CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021

Cluster/Program	Program Title	Federal ALN Number	Pass-through Agency	Grantor Agency or Pass-through Identification Number	Expenditures	Expenditures Passed-through to Subrecipients
PPHF Geriatric Education Centers	Geriatric Workforce Enhancement Project (GWEP) with Good Samaritan and UND	93.969	University of North Dakota	UND0026378-SI	\$ 100,461	\$ -
Maternal and Child Health Services Block Grant to the States	2019-2021 CTC Clinic Fargo	93.994	North Dakota	G19.051	7,644	-
Maternal and Child Health Services Block Grant to the States	2021-2023 CTC Clinic Fargo	93.994	North Dakota	G21.127	31,642	-
Maternal and Child Health Services Block Grant to the States	Fargo Newborn Screening 2019-2021	93.994	North Dakota	PF19.016	30,000	-
Maternal and Child Health Services Block Grant to the States	Complex Medical Care 2020-2021	93.994	South Dakota	21SCO90912	40,588	-
Maternal and Child Health Services Block Grant to the States	Complex Medical Care 2021-2022	93.994	South Dakota	22SCO90912	46,096	-
Maternal and Child Health Services Block Grant to the States	Newborn Metabolic Screening (SF)	93.994	South Dakota	21SCO090783	108,606	-
Maternal and Child Health Services Block Grant to the States	Public Health Alliance Deuel County (Clear Lake)	93.994	South Dakota	21SC091311/22SC091311	1,442	-
Total Department of Health and Human Services Pass-through Programs					<u>7,640,411</u>	<u>-</u>
Department of Homeland Security Direct Programs						
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Kissimmee FEMA HMGP Hurricane Irma	97.036	N/A	H0457	59,364	-
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Davenport FEMA Derecho Storm	97.036	N/A	000-UU7ZD-00	45,173	-
Total Department of Homeland Security Direct Programs					<u>104,537</u>	<u>-</u>
Total Non-Cluster Programs					<u>302,475,245</u>	<u>48,750</u>
Total Federal Expenditures					<u>\$ 316,285,749</u>	<u>\$ 944,081</u>

(Concluded)

See notes to consolidated schedule of expenditures of federal awards

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NOTES TO CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated schedule of expenditures of federal awards (the "Schedule") includes the federal award expenditures of Sanford and its controlled entities under programs of the federal government for the year ended December 31, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Schedule is prepared on the accrual basis of accounting and should be read in conjunction with the consolidated financial statements of Sanford. Expenditures are recognized following the cost principles contained in the Uniform Guidance.

2. INDIRECT COST RATE

All Sanford entities, except those disclosed below, use the 10.0% de minimis indirect cost rate allowed under the Uniform Guidance. Sanford Research and Sanford Research North awards may use a provisional indirect rate of 66.0% and 61.5%, respectively, of the modified total direct cost base for direct research programs.

3. NONCASH FEDERAL AWARDS

For the year ended December 31, 2021, there were \$2,118,791 in noncash federal awards received and included as expenditures in the Schedule.

4. FEDERAL AGENCY

For the year ended December 31, 2021, Sanford's expenditures of federal awards by federal agency were as follows:

Corporation for National and Community Service	\$	274,475
Department of Agriculture		1,951,975
Department of Defense		87,457
Department of Education		16,333
Department of Energy		6,052
Department of Health and Human Services		308,558,683
Department of Homeland Security		104,537
Department of Housing and Urban Development		990,902
Department of Justice		512,745
Department of Transportation		82,673
Department of Treasury		2,848,685
Federal Communications Commission		772,140
National Endowment for the Arts		19,932
National Science Foundation		59,160
	\$	<u>316,285,749</u>

5. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

The regulations and guidelines governing the preparation of federal financial reports vary by agency and among programs administered by the same agency. Accordingly, the amounts reported in the federal financial reports do not necessarily agree with the amounts reported in the accompanying Schedule, which is prepared as explained in Note 1.

6. SUBRECIPIENTS

For the year ended December 31, 2021, federal amounts provided to subrecipients totaled \$944,081 and are listed by program on the Schedule.

7. PROVIDER RELIEF FUND PAYMENTS

The Schedule includes payments from the Department of Health and Human Services for the Provider Relief Fund of the following entities:

<u>Legal Entity Name</u>	<u>Tax Identification Number</u>
Sanford Clinic North	91-1770748
Sanford Clinic	46-0447693
Sanford Health Network North	45-0409348
Sanford Health of Northern Minnesota	41-1266009
Sanford Health Network	46-0388596
Sanford Bismarck	45-0226700
Sanford Medical Center	46-0227855
Sanford Medical Center Fargo	45-0226909
Home Medical Equipment	46-0388597
Fargo-Moorhead Ambulance Service, Inc.	45-0344371
Choice Home Healthcare	38-4044054
The Evangelical Lutheran Good Samaritan Society	45-0228055
Sanford Home Health	46-0282134
Prospera	37-1834045
Shetek Medical Services	41-2004685
Healthcare Accessories	20-2404179
Heritage Home Healthcare	85-0463468
Heritage Healthcare Services, Inc.	85-0418562

* * * * *

SANFORD

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2021

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

- A. Type of auditor's report issued: Unmodified
- B. Internal control over financial reporting:
- Material weaknesses identified? Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes X None reported
- C. Noncompliance material to consolidated financial statements noted? Yes X No

Federal Awards

- D. Internal control over major federal programs:
- Material weaknesses identified? Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes X None reported
- E. Type of auditor's report issued on compliance for major programs: Unmodified
- F. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes X No

G. Identification of major programs:

<u>ALN Number</u>	<u>Name of Federal Program or Cluster</u>
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)
93.461	COVID-19 Testing for the Uninsured
93.498	Provider Relief Fund

- H. Dollar threshold used to distinguish between Type A and Type B programs: \$3,000,000
- I. Auditee qualified as low-risk auditee? X Yes No

SANFORD

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2021

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

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SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2021

SECTION IV – PRIOR YEAR AUDIT FINDINGS

No prior year audit findings reported.

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