



## **LIFESPAN CORPORATION AND AFFILIATES**

Independent Auditors' Reports as Required by Title 2 U.S. Code of  
Federal Regulations Part 200, *Uniform Administrative Requirements, Cost  
Principles, and Audit Requirements for Federal Awards*  
and *Government Auditing Standards* and Related Information

Year ended September 30, 2020

**LIFESPAN CORPORATION AND AFFILIATES**

Independent Auditors' Reports as Required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and *Government Auditing Standards* and Related Information

Year ended September 30, 2020

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KPMG LLP  
One Financial Plaza, Suite 2300  
Providence, RI 02903

## Exhibit I

### **Independent Auditors' Report on Compliance for Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

The Board of Directors  
Lifespan Corporation and Affiliates:

#### **Report on Compliance for Major Federal Program**

We have audited Lifespan Corporation and Affiliates' (Lifespan) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Lifespan's major federal program for the year ended September 30, 2020. Lifespan's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

#### *Management's Responsibility*

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on compliance for Lifespan's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lifespan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Lifespan's compliance.

#### *Opinion on Major Federal Program*

In our opinion, Lifespan complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2020.

#### **Report on Internal Control Over Compliance**

Management of Lifespan is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lifespan's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that



## Exhibit I

are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lifespan's 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 consolidated financial statements of Lifespan as of and for the year ended September 30, 2020, and have issued our report thereon dated February 25, 2021, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated 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 consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information 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 of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*KPMG LLP*

Providence, Rhode Island  
December 21, 2021



KPMG LLP  
One Financial Plaza, Suite 2300  
Providence, RI 02903

## Exhibit II

### **Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

The Board of Directors  
Lifespan Corporation and Affiliates:

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 Lifespan Corporation and Affiliates (Lifespan), which comprise the consolidated statement of financial position as of September 30, 2020, and the related consolidated statements of operations and 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 February 25, 2021. This report included an emphasis of matters paragraph referring to Lifespan's adoption of Accounting Standards Update (ASU) No. 2016-01, *Financial Instruments-Overall: Recognition and Measurement of Financial Assets and Financial Liabilities* and ASU No. 2016-18, *Statement of Cash Flows, Restricted Cash*. Our opinion is not modified with respect to these matters.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered Lifespan'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 Lifespan's internal control. Accordingly, we do not express an opinion on the effectiveness of Lifespan'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.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Lifespan's consolidated financial statements are free from material misstatement, we performed tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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



## Exhibit II

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 Lifespan's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lifespan's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Providence, Rhode Island  
February 25, 2021

**LIFESPAN CORPORATION AND AFFILIATES**

Schedule of Findings and Questioned Costs

Year ended September 30, 2020

**(1) Summary of Auditor's Results**

- a. Type of report issued on whether the consolidated financial statements were prepared in accordance with generally accepted accounting principles: **Unmodified**
- b. Internal control deficiencies over financial reporting disclosed by the audit of the consolidated financial statements:
  - Material weaknesses: **No**
  - Significant deficiencies: **None reported**
- c. Noncompliance material to the financial statements: **No**
- d. Internal control deficiencies over major programs disclosed by the audit:
  - Material weaknesses: **No**
  - Significant deficiencies: **None reported**
- e. Type of report issued on compliance for major programs: **Unmodified**
- f. Audit findings that are required to be reported in accordance with 2 CFR 200.516(a): **None**
- g. Major program:
  - COVID-19 - Coronavirus Relief Fund – 21.019
- h. Dollar threshold used to distinguish between Type A and Type B programs: **\$2,853,402**
- i. Auditee qualified as a low-risk auditee: **Yes**

**(2) Findings Relating to the Consolidated Financial Statements Reported in Accordance with *Government Auditing Standards***

None reported.

**(3) Findings and Questioned Costs Relating to Federal Awards**

None reported.

**LIFESPAN CORPORATION AND AFFILIATES**

Consolidated Financial Statements and Supplementary Information –  
Schedule of Expenditures of Federal Awards

September 30, 2020 and 2019

(With Independent Auditors' Report Thereon)

**LIFESPAN CORPORATION AND AFFILIATES**Consolidated Financial Statements and Supplementary Information –  
Schedule of Expenditures of Federal Awards

September 30, 2020 and 2019

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Providence, RI 02903

Exhibit IV

## Independent Auditors' Report

The Board of Directors  
Lifespan Corporation and Affiliates:

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Lifespan Corporation and Affiliates (Lifespan), which comprise the consolidated statement of financial position as of September 30, 2020 and 2019, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditors' Responsibility*

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

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

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

#### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Lifespan as of September 30, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.



*Emphasis of Matters*

As discussed in Note 3(b) to the consolidated financial statements, during the year ended September 30, 2020 Lifespan adopted Financial Accounting Standards Board Accounting Standards Update (ASU) No. 2016-01, *Financial Instruments-Overall: Recognition and Measurement of Financial Assets and Financial Liabilities* and ASU No. 2016-18, *Statement of Cash Flows, Restricted Cash*. Our opinion is not modified with respect to these matters.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2021 on our consideration of Lifespan's internal control over financial reporting and on our tests of their 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 Lifespan'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 Lifespan's internal control over financial reporting and compliance.

KPMG LLP

Providence, Rhode Island  
February 25, 2021

## LIFESPAN CORPORATION AND AFFILIATES

Consolidated Statements of Financial Position

September 30, 2020 and 2019

(In thousands)

<b>Assets</b>	<b>2020</b>	<b>2019</b>	<b>Liabilities and Net Assets</b>	<b>2020</b>	<b>2019</b>
Current assets:			Current liabilities:		
Cash and cash equivalents	\$ 413,587	\$ 118,338	Accounts payable	\$ 124,904	\$ 134,138
Patient accounts receivable	236,852	238,369	Accrued employee benefits and compensation	134,732	102,223
Other receivables	43,913	29,219	Other accrued expenses	68,062	10,800
Current portion of contributions receivable, net	5,662	5,304	Revolving credit loan payable	—	20,000
Total receivables	286,427	272,892	Current portion of long-term debt	15,726	22,506
Assets limited as to use	50,288	46,614	Current portion of estimated third-party payor settlements	73,673	8,154
Inventories	34,996	32,657	Current portion of estimated malpractice and other self-insurance costs	65,039	66,426
Prepaid expenses and other current assets	19,630	16,202	Total current liabilities	482,136	364,247
Total current assets	804,928	486,703	Long-term debt, net of current portion	243,451	262,484
Assets limited as to use	1,274,735	1,197,002	Estimated third-party payor settlements, net of current portion	149,328	29,993
Less amount required to meet current obligations	(50,288)	(46,614)	Estimated malpractice self-insurance costs, net of current portion	113,092	101,993
Noncurrent assets limited as to use	1,224,447	1,150,388	Accrued pension liability	259,161	250,273
Property and equipment, net	821,005	840,518	Other liabilities	90,153	57,809
Other assets:			Total liabilities	1,337,321	1,066,799
Contributions receivable, net	7,043	9,373	Net assets:		
Other noncurrent assets	33,709	31,226	Net assets without donor restrictions	950,323	886,893
Total other assets	40,752	40,599	Net assets with donor restrictions	603,488	564,516
Total assets	\$ 2,891,132	\$ 2,518,208	Total net assets	1,553,811	1,451,409
			Total liabilities and net assets	\$ 2,891,132	\$ 2,518,208

See accompanying notes to consolidated financial statements.

## LIFESPAN CORPORATION AND AFFILIATES

## Consolidated Statements of Operations and Changes in Net Assets

Years ended September 30, 2020 and 2019

(In thousands)

	<u>2020</u>	<u>2019</u>
Revenues and other support without donor restrictions:		
Patient service revenue	\$ 2,061,682	\$ 2,108,216
Other revenues	324,573	156,387
Endowment earnings contributed toward community benefit	15,970	15,747
Net assets released from restrictions used for operations	19,733	22,549
Net assets released from restrictions used for research	98,109	92,264
Total revenues and other support without donor restrictions	<u>2,520,067</u>	<u>2,395,163</u>
Operating expenses:		
Compensation and benefits	1,455,582	1,443,706
Supplies and other expenses	634,037	614,464
Purchased services	157,712	159,535
Depreciation and amortization	91,552	89,494
Interest	8,232	8,879
License fees	108,018	102,100
Restructuring costs	9,862	—
Total operating expenses	<u>2,464,995</u>	<u>2,418,178</u>
Income (loss) from operations	<u>55,072</u>	<u>(23,015)</u>
Nonoperating gains and losses:		
Gifts and bequests without donor restrictions	3,680	3,280
Income from board-designated investments	1,052	2,741
Net realized gains on board-designated investments	1,502	3,923
Nonservice periodic pension costs	(32,462)	(16,044)
Fundraising expenses	(4,492)	(5,203)
Other nonoperating losses, net	(3,086)	(620)
Total nonoperating losses, net	<u>(33,806)</u>	<u>(11,923)</u>
Excess (deficiency) of revenues over expenses	<u>\$ 21,266</u>	<u>\$ (34,938)</u>

## LIFESPAN CORPORATION AND AFFILIATES

## Consolidated Statements of Operations and Changes in Net Assets (Continued)

Years ended September 30, 2020 and 2019

(In thousands)

	<u>2020</u>	<u>2019</u>
Changes in net assets without donor restrictions:		
Excess (deficiency) of revenues over expenses	\$ 21,266	\$ (34,938)
Other changes in net assets without donor restrictions:		
Change in funded status of pension and other postretirement plans, other than net periodic pension and postretirement benefit costs	6,812	(67,166)
Net change in unrealized losses on investments	—	(16,446)
Net assets released from restrictions used for purchase of property and equipment	15,179	12,169
Other increases (decreases)	<u>37</u>	<u>(98)</u>
Increase (decrease) in net assets without donor restrictions prior to adoption of ASU 2016-01	43,294	(106,479)
Cumulative effect of change in accounting principle	<u>20,136</u>	<u>—</u>
Increase (decrease) in net assets without donor restrictions	<u>63,430</u>	<u>(106,479)</u>
Changes in net assets with donor restrictions:		
Gifts, grants, and bequests	130,527	120,543
Income from restricted endowment and other restricted investments	2,973	3,570
Net assets released from restrictions	(133,021)	(126,982)
Net realized and unrealized gains on investments	22,434	8,609
Fundraising expenses	(1,303)	(1,888)
Grants to outside agencies	(811)	(1,131)
Other decreases	<u>(494)</u>	<u>(42)</u>
Increase in net assets with donor restrictions prior to adoption of ASU 2016-01	20,305	2,679
Cumulative effect of change in accounting principle	<u>18,667</u>	<u>—</u>
Increase in net assets with donor restrictions	<u>38,972</u>	<u>2,679</u>
Increase (decrease) in net assets	102,402	(103,800)
Net assets, beginning of year	<u>1,451,409</u>	<u>1,555,209</u>
Net assets, end of year	<u>\$ 1,553,811</u>	<u>\$ 1,451,409</u>

See accompanying notes to consolidated financial statements.

## LIFESPAN CORPORATION AND AFFILIATES

## Consolidated Statements of Cash Flows

Years ended September 30, 2020 and 2019

(In thousands)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 102,402	\$ (103,800)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Change in funded status of pension and other postretirement plans, other than net periodic pension and postretirement benefit costs	(6,812)	67,166
Pension settlement charge	14,565	—
Net realized and unrealized (gains) losses on investments	(23,986)	3,914
Contributions restricted for purchase of property and equipment	(6,289)	(8,021)
Cumulative effect of change in accounting principle	(38,803)	—
Depreciation and amortization	91,552	89,494
Provision for estimated self-insurance costs	157,203	207,405
Decrease in liabilities for estimated self-insurance costs resulting from claims paid	(147,491)	(200,369)
Decrease (increase) in patient accounts receivable	1,513	(35,070)
(Decrease) increase in accounts payable	(9,191)	40,725
Increase in accrued employee benefits and compensation	32,509	8,679
Increase (decrease) in estimated third-party payor settlements	184,854	(573)
Increase (decrease) in all other current and noncurrent assets and liabilities, net	67,189	(11,235)
Net cash provided by operating activities	<u>419,215</u>	<u>58,315</u>
Cash flows from investing activities:		
Purchase of property and equipment	(72,039)	(92,568)
Contributions restricted for purchase of property and equipment	6,289	8,021
Purchases of assets limited as to use	(1,017,223)	(1,122,442)
Proceeds from sales of assets limited as to use	1,007,572	1,150,412
Other net (increases) decreases in assets limited as to use	(8,831)	6,530
Net cash used in investing activities	<u>(84,232)</u>	<u>(50,047)</u>
Cash flows from financing activities:		
(Payments on) proceeds from revolving credit loan payable	(20,000)	20,000
Payments on long-term debt	(22,506)	(21,685)
Net cash used in financing activities	<u>(42,506)</u>	<u>(1,685)</u>
Net increase in cash, cash equivalents, and restricted cash	292,477	6,583
Cash, cash equivalents, and restricted cash at:		
Beginning of year	<u>127,116</u>	<u>120,533</u>
End of year	<u>\$ 419,593</u>	<u>\$ 127,116</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 11,868</u>	<u>\$ 12,664</u>

See accompanying notes to consolidated financial statements.

**LIFESPAN CORPORATION AND AFFILIATES**

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands)

**(1) Description of Organization**

Lifespan Corporation and Affiliates (Lifespan), established in August 1994, is an integrated regional health care delivery system comprised of teaching hospitals, a community hospital, a children's and adolescent psychiatric hospital, a retail and specialty pharmacy, community mental and behavioral health providers, and other caregivers, with locations throughout Rhode Island. As a complement to its role in healthcare service and education, Lifespan actively supports research. Lifespan Corporation (Lifespan Corp.) is a nonprofit company located in Providence, Rhode Island, which operates for the benefit of and to support each of its nonprofit charitable hospitals and other affiliated corporations.

The composition of the Boards of Trustees of each of the Lifespan system hospitals and of both Newport Health Care Corporation and Gateway Healthcare, Inc. is defined as those persons serving from time to time as the directors of Lifespan Corp. As a result, the Board of each such entity is comprised of the same individuals. The Board of each entity, however, retains its responsibilities and authorities to that entity. Certain other affiliates of Lifespan Corp. are governed by Boards of Trustees which are elected annually by Lifespan Corp. or another affiliate of Lifespan Corp.

Affiliated corporations of Lifespan Corp. are as follows:

<b>Member, Shareholder, or Entity with Reserved Powers</b>	<b>Affiliate</b>
Lifespan Corp.	Rhode Island Hospital (RIH) The Miriam Hospital (TMH) Emma Pendleton Bradley Hospital (Bradley) Newport Hospital (NH) Newport Hospital Foundation, Inc. (NHF) Newport Health Care Corporation (NHCC) R.I. Sound Enterprises Insurance Co. Ltd. (RISE) Lifespan Risk Services, Inc. (LRS) RIH Ventures (RIHV), d/b/a Lifespan Laboratories Lifespan Physician Group, Inc. (LPG) NHCC Medical Associates, Inc. (NHCCMA) Gateway Healthcare, Inc. Hospital Properties, Inc. (HPI) Rhode Island Hospital Foundation (RIHF) The Miriam Hospital Foundation (TMHF) Bradley Hospital Foundation (BHF) Lifespan Foundation (LF) Lifespan MSO, Inc. (MSO) Lifespan of Massachusetts, Inc. (Lifespan MA)

**LIFESPAN CORPORATION AND AFFILIATES**

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands)

**(1) Description of Organization (continued)**

<b>Member, Shareholder, or Entity with Reserved Powers</b>	<b>Affiliate</b>
Rhode Island Hospital	Radiosurgery Center of Rhode Island, LLC (RCRI) Lifespan Pharmacy, LLC
The Miriam Hospital	VNA Technicare, Inc., d/b/a Lifespan Home Medical
Emma Pendleton Bradley Hospital	Lifespan School Solutions, Inc. (LSS), d/b/a The Bradley School
Newport Health Care Corporation (NHCC)	Newport Health Property Management, Inc.
Gateway Healthcare, Inc. (Gateway)	Alternative Living Concepts, Inc., d/b/a Human Services Realty Families Reaching into Each New Day, Inc., d/b/a FRIENDS WAY The Autism Project Capital City Community Centers, Inc. Bayberry Courts, Inc. JM Apartments, Inc. L.J.R. Corporation Mill River Community Housing Corporation Obed Apartments, Inc. Pathways, Inc. Shore Courts, Inc. Westerly Courts, Inc. TLR Realty Wentworth Corporation

**LIFESPAN CORPORATION AND AFFILIATES**

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands)

**(2) Charity Care and Other Community Benefits**

The total net cost of charity care and other community benefits provided by Lifespan for the years ended September 30, 2020 and 2019 is summarized in the following table:

	<u>2020</u>	<u>2019</u>
Charity care	\$ 30,143	\$ 28,455
Medical education, net	74,771	70,773
Research	19,767	19,063
Subsidized health services	35,229	31,020
Unreimbursed Medicaid costs	114,557	98,384
Community health improvement services and community benefit operations	<u>1,795</u>	<u>1,804</u>
Total	<u>\$ 276,262</u>	<u>\$ 249,499</u>

**Charity Care**

Lifespan provides full charity care for individuals at or below twice the federal poverty level, with a sliding scale for individuals based upon the federal poverty level guidelines, as set by the U.S. Department of Health and Human Services (HHS). In addition, a substantial discount consistent with Medicare program reimbursement is offered to all other uninsured patients. Lifespan determines the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including compensation and benefits, supplies, and other operating expenses, based on data from its costing system. The total cost, excluding medical education and research, incurred by Lifespan to provide charity care amounted to \$30,143 and \$28,455 in 2020 and 2019, respectively. Charges forgone, based on established rates, amounted to \$100,503 and \$99,969 in 2020 and 2019, respectively.

**LIFESPAN CORPORATION AND AFFILIATES**

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands)

**(2) Charity Care and Other Community Benefits (continued)*****Medical Education***

Lifespan provides the setting for and substantially supports medical education in various clinical training and nursing programs. The total cost of medical education provided by Lifespan exceeded the reimbursement received from third-party payors by \$74,771 and \$70,773 in 2020 and 2019, respectively. In 1969, RIH, TMH, Bradley, and certain other Rhode Island hospitals entered into an affiliation agreement to participate jointly in various clinical training programs and research activities with Brown Medical School, renamed The Warren Alpert Medical School of Brown University (Brown). In 2010, Brown named RIH its Principal Teaching Hospital. TMH and Bradley continue to be designated as major teaching affiliates. The goals of the partnership are to facilitate the expansion of joint educational and research programs to enable competition both clinically and academically. RIH currently sponsors 50 graduate medical education programs accredited by or under the auspices of the Accreditation Council for Graduate Medical Education (ACGME), while also sponsoring another 35 hospital-approved residency and fellowship programs. RIH serves as the principal setting for these clinical training programs, which encompass the following disciplines: anesthesiology; internal medicine and medicine subspecialties, including hematology and oncology; orthopedics and orthopedic subspecialties; clinical neurosciences and related subspecialties; general surgery and surgical subspecialties; pediatrics and pediatric subspecialties, including hematology and oncology; dermatology; radiology and radiology subspecialties; pathology; child psychiatry; emergency medicine and emergency medicine subspecialties; dentistry; and medical physics. TMH participates in Brown programs in anesthesiology, internal medicine and medicine subspecialties, general surgery and surgical subspecialties, psychiatry, emergency medicine and emergency medicine subspecialties, orthopedics and orthopedic subspecialties, and dermatology. RIH and TMH provide stipends to residents and physician fellows while in training. Bradley participates in the Child and Adolescent Psychiatry Fellowship as well as the Triple Board Residency Program (Pediatrics/Psychiatry/Child and Adolescent Psychiatry).

In addition, RIH and TMH are participating clinical training sites for residents from other programs in anesthesiology, family medicine, internal medicine, emergency medicine, hematology/oncology, obstetrics/gynecology (OB/Gyn) and OB/Gyn subspecialties, dermatology, dermatopathology and pediatric pathology, otolaryngology, pediatric dentistry, podiatry, psychiatry and its subspecialties of forensic psychiatry, consult liaison psychiatry and geriatric psychiatry, orthopedics, rheumatology, and radiation oncology. Bradley serves as a participating site for the Brown Residency Program in Psychiatry sponsored by Butler Hospital. NH serves as an elective site for both RIH-sponsored programs and other residencies.

Various departments and specialties at RIH, TMH, NH, and Bradley serve as clinical sites for the physician assistant schools of Johnson & Wales University, Bryant University, and the Massachusetts College of Pharmacy. In addition, Behavioral Medicine at RIH, TMH, and Bradley, in collaboration with Brown, sponsors research and clinical psychology training programs for interns, postdoctoral fellows, and faculty trainees.

**LIFESPAN CORPORATION AND AFFILIATES**

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands)

**(2) Charity Care and Other Community Benefits (continued)*****Medical Education (continued)***

With respect to nursing education, RIH, TMH, and NH have developed educational affiliations with the University of Rhode Island College of Nursing; Community College of Rhode Island (CCRI); Salve Regina University; Boston College; Yale University; Regis College; Simmons College; the University of Massachusetts campuses at Dartmouth, Boston, Amherst, and Worcester; Framingham State University; the University of Connecticut; The New England Institute of Technology; Northeastern University; Drexel University; Walden University; Georgetown University School of Nursing and Health Studies; Duke University School of Nursing; and the University of Pennsylvania, as well as other Schools of Nursing, pursuant to which their nursing students obtain clinical training and experience at RIH, TMH, and NH. RIH, TMH, and NH do not receive any compensation from the various schools for providing a clinical setting for the student nurse training.

The Lifespan School of Medical Imaging collaborates with Rhode Island College in the following programs: diagnostic medical sonography; nuclear medicine technology; radiography; and magnetic resonance imaging. Students complete educational experiences at RIH, TMH, and NH, as well as other outpatient sites. RIH also sponsors education programs in computed tomography and mammography.

At RIH, clinical affiliations/student clinical training programs are provided through contracts with several colleges and universities in the professional areas of speech-language pathology and audiology, physical therapy, physical therapy assistants, occupational therapy, certified occupational therapy assistants, and child development. RIH has clinical training affiliations in respiratory therapy with The New England Institute of Technology and CCRI. In addition, RIH is the host for training programs in histology, cytology, phlebotomy, and medical laboratory science (medical technology), sponsored jointly through the University of Rhode Island, Salve Regina University, and Rhode Island College. These programs allow students to obtain didactic coursework at partner universities and at RIH, and clinical education and experience on site at RIH, resulting in certification for careers in clinical laboratories.

TMH sponsors training programs for a variety of allied health care professionals, including required clinical and fieldwork experiences in physical, speech, and occupational therapy, which are provided to university students in each discipline through contracts with the various universities. TMH acts as a clinical training site for students from CCRI in its vascular and cardiology ultrasound programs and provides training experiences for both phlebotomy students and physical therapy assistant students. TMH serves as a clinical training site for students from The Nuclear Medicine Institute of the University of Findlay (Ohio) and has educational affiliations with the respiratory therapy programs at both CCRI and The New England Institute of Technology. TMH's EEG Department provides clinical training to neurodiagnostic technology students from Laboure College (Massachusetts).

**LIFESPAN CORPORATION AND AFFILIATES**

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands)

**(2) Charity Care and Other Community Benefits (continued)*****Medical Education (continued)***

RIH, TMH, NH, and Bradley have clinical affiliations/student clinical training programs for pharmacy students provided through contracts with various colleges and universities. Most of the pharmacy students attend the University of Rhode Island, Massachusetts College of Pharmacy and Health Sciences, and Northeastern University. RIH's Pharmacy Department sponsors a postgraduate year one (PGY1) residency program in pharmacy practice. In addition, the RIH Pharmacy Department co-sponsors second-year postgraduate specialized residency programs in oncology and ambulatory care pharmacy. Lifespan pharmacists participate in the education of pharmacy, nursing, and physician assistant students by providing didactic lectures at the University of Rhode Island's College of Pharmacy, Rhode Island College's Advanced Practice Nursing Program, Johnson & Wales University's Center for Physician Assistant Studies, and Bryant University's Physician Assistant Program. RIH and TMH have clinical social work student contracts with Rhode Island College, Boston University, Boston College, Smith College, Simmons College, and Bridgewater State University. NH has clinical social work student contracts with Boston University and the University of New England.

***Research***

Lifespan conducts extensive medical research, with RIH and TMH in the forefront of biomedical health care delivery research and among the leaders nationally in the National Institutes of Health programs. Lifespan also sponsors a significant level of these research activities, as indicated in the table in note 2.

Federal support accounts for approximately 68% of all externally funded research at Lifespan. Researchers focus on clinical trials which investigate prevention and treatment of HIV/AIDS, obesity, cancer, diabetes, cardiac disease, neurological problems, orthopedic advancements, mental health concerns, and brain science. Researchers work in the laboratory or with patients, or both.

***Subsidized Health Services***

Lifespan substantially subsidizes various health services including the following programs: adult psychiatry, tuberculosis, and Alzheimer's, as well as the Center for Special Children, Vanderbilt Rehabilitation Center (NH), and certain other specialty services. Lifespan also supports comprehensive mental health evaluation and treatment of children, adolescents, and families under several programs, including outpatient, day treatment, and residential.

***Unreimbursed Medicaid Costs***

Lifespan subsidizes the cost of treating patients who receive government assistance where reimbursement is below cost. Medicaid is a means-tested health insurance program, jointly funded by state and federal governments. States administer the program and set rules for eligibility, benefits, and provider payments within broad federal guidelines. The program provides health care coverage to low-income children and families, pregnant women, long-term unemployed adults, seniors, and persons with disabilities. Eligibility is determined by a variety of factors, which include income relative to the federal poverty line, age and immigration status, and assets. The unreimbursed Medicaid costs do not include any allocation of medical education or research costs.

**LIFESPAN CORPORATION AND AFFILIATES**

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands)

**(2) Charity Care and Other Community Benefits (continued)*****Community Health Improvement Services and Community Benefit Operations***

Lifespan also provides numerous other services to the community for which charges are not generated. These services include certain emergency services, community health screenings for cardiac health, prostate cancer and other diseases, smoking cessation, immunization and nutrition programs, diabetes education, community health training programs, patient advocacy, foreign language translation, physician referral services, and charitable contributions.

**(3) Summary of Significant Accounting Policies****(a) *Basis of Presentation***

The consolidated financial statements, which are prepared on the accrual basis of accounting, include the accounts of Lifespan Corp. and its affiliates after elimination of significant intercompany accounts and transactions.

Lifespan considers events and transactions that occur after the consolidated statement of financial position date, but before the consolidated financial statements are issued, to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. These consolidated financial statements were issued on February 25, 2021 and subsequent events have been evaluated through that date.

**(b) *Accounting Pronouncements Adopted***

In January 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-01, *Financial Instruments-Overall: Recognition and Measurement of Financial Assets and Financial Liabilities*, which updates certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. ASU 2016-01 requires equity investments to be measured at fair value, with changes in fair value recognized in net income. Certain Lifespan investments formerly accounted for at cost were adjusted to market value at October 1, 2019 in accordance with ASU 2016-01, resulting in cumulative effect increases of \$20,136 and \$18,667 in net assets without and with donor restrictions, respectively.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows, Restricted Cash*, which requires a statement of cash flows to explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash. In 2020, Lifespan adopted this ASU using a retrospective transition method. Accordingly, the consolidated statement of cash flows for 2019, as presented herein, has been restated to comply with the new requirements. Refer to note 5, Supplemental Financial Information, for a detail of the components of Lifespan's cash, cash equivalents, and restricted cash balances.

**LIFESPAN CORPORATION AND AFFILIATES**

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands)

**(3) Summary of Significant Accounting Policies (continued)****(c) Use of Estimates**

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported in the consolidated financial statements and accompanying notes. Estimates are used in accounting for, among other items, third-party payor settlements, malpractice self-insurance costs, and pensions. Actual results could differ from those estimates.

**(d) Cash and Cash Equivalents**

Cash and cash equivalents include investments in highly liquid debt instruments with maturities of three months or less when purchased, excluding amounts limited as to use by board-designation or other arrangements under trust agreements. Cash equivalents held for investment purposes that are classified as assets limited as to use are not reflected as cash equivalents in the consolidated statements of cash flows.

**(e) Patient Accounts Receivable**

Lifespan hospitals have agreements with many third-party payors that provide for payments to the hospitals at amounts less than their established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the contractual allowances and discounts that are netted against patient accounts receivable in the consolidated statements of financial position. Lifespan grants credit to patients, most of whom are local residents. Lifespan generally does not require collateral or other security in extending credit to patients; however, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans, or policies (e.g., Medicare, Medicaid, Blue Cross, managed care, or commercial insurance policies). The difference between the standard payment rates (or the discounted rates, if applicable) and the amounts collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

## LIFESPAN CORPORATION AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands)

**(3) Summary of Significant Accounting Policies (continued)****(e) Patient Accounts Receivable (continued)**

The following table reflects an approximate percentage breakdown of patient accounts receivable from third-party payors, government subsidies, and others (including uninsured patients) as of September 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Medicare and Senior Care	30%	28%
Blue Cross	20%	16%
Medicaid and Rlte Care	23%	24%
Managed Care	5%	6%
Commercial, self-pay, and other	22%	26%
	<u>100%</u>	<u>100%</u>

**(f) Investments and Investment Income**

FASB Accounting Standards Codification (ASC) Subtopic 820-10, *Fair Value Measurements and Disclosures* (ASC 820-10), defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Fair value represents the price that would be received upon the sale of an asset or paid upon the transfer of a liability in an orderly transaction between market participants as of the measurement date. ASC 820-10 establishes a fair value hierarchy that prioritizes inputs used to measure fair value into three levels:

- Level 1 – quoted prices (unadjusted) in active markets that are accessible at the measurement date;
- Level 2 – observable prices that are based on inputs not quoted in active markets, but which are corroborated by market data; and
- Level 3 – unobservable inputs that are used when little or no market data is available.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In determining fair value, Lifespan utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

**LIFESPAN CORPORATION AND AFFILIATES**

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands)

**(3) Summary of Significant Accounting Policies (continued)****(f) Investments and Investment Income (continued)**

The following is a description of the valuation methodologies used for investments measured at fair value:

*Short-term investments:* Valued at the net asset value (NAV) reported by the financial institution, with maturities of three months or less when purchased.

*U.S. government/agency and corporate obligations:* Valued using market quotations or prices obtained from independent pricing sources which may employ various pricing methods to value the investments, including matrix pricing based on quoted prices for securities with similar coupons, ratings, and maturities.

*Corporate equity securities:* Valued at the closing prices reported by an active market in which the individual securities are traded.

*Collective investment funds:* Investments in collective investment funds are valued using NAV as reported by the investment manager, which approximates the market values of the underlying investments within the fund or realizable values as estimated by the investment manager. Lifespan owns interests in collective investment funds that are generally recorded at the NAV reported by the fund managers, unless the fund has a readily determinable fair value which is used as a practical expedient to estimate the fair value of Lifespan's interest therein. Such valuations are determined by fund managers and generally consider variables such as operating results, comparable earnings multiples, projected cash flows, recent sales prices, and other pertinent information, and may reflect discounts for the illiquid nature of certain investments held. As of September 30, 2020 and 2019, Lifespan had no plans or intentions to sell investments at amounts different from NAV.

Investments in real estate included in assets held in trust as donor-restricted funds are measured at fair market value based on independent appraisals conducted by the trustee from time to time.

Investment income or loss (including realized gains and losses on investments, interest, and dividends) is included in the excess (deficiency) of revenues over expenses unless the income or loss is restricted by donor or law.

Realized gains or losses on unrestricted investments are recorded as nonoperating gains or losses; realized gains or losses on restricted investments are recorded as an addition to or deduction from net assets with donor restrictions.

**LIFESPAN CORPORATION AND AFFILIATES**

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands)

**(3) Summary of Significant Accounting Policies (continued)****(f) Investments and Investment Income (continued)**

Investment income from funds available for self-insurance liabilities is recorded as other revenue. Lifespan maintains a spending policy for certain board-designated funds of its patient care affiliates, which provides that investment income from such funds is recorded within unrestricted revenues as endowment earnings contributed toward community benefit.

Income from donor-restricted investments held in perpetuity is recorded within nonoperating gains when unrestricted by the donor and as an addition to the net assets of the associated donor-restricted fund when restricted by the donor.

**(g) Assets Limited as to Use**

Assets limited as to use primarily include designated assets set aside by Lifespan's Board for future capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes, and assets whose use by Lifespan has been permanently restricted by donors or limited by grantors or donors to a specific purpose, as well as self-insurance arrangements and assets held in trust. Amounts required to meet current liabilities of Lifespan are reported in current assets in the consolidated statements of financial position.

**(h) Property and Equipment**

Property and equipment acquisitions are recorded at cost. Depreciation is computed over the estimated useful life of each class of depreciable asset using the straight-line method. Buildings and improvements lives range from 5 to 40 years and equipment lives range from 3 to 20 years. Repairs and maintenance are expensed as incurred.

**(i) Classification of Net Assets**

FASB ASC Subtopic 958-250 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and requires disclosures about endowment funds, including donor-restricted endowment funds and board-designated endowment funds.

Lifespan is incorporated in and subject to the laws of Rhode Island, which adopted UPMIFA effective as of June 30, 2009. Under UPMIFA, the assets of a donor-restricted endowment fund may be appropriated for expenditure by Lifespan in accordance with the standard of prudence prescribed by UPMIFA.

**LIFESPAN CORPORATION AND AFFILIATES**

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands)

**(3) Summary of Significant Accounting Policies (continued)****(i) Classification of Net Assets (continued)**

Net assets, revenues, and gains and losses are classified into two categories of net assets based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Lifespan are classified and reported as follows:

*Net assets with donor restrictions* contain grantor or donor-imposed stipulations that are more specific than broad limits resulting from a not-for-profit's nature in which it operates. Some donors impose restrictions that are temporary in nature, for example, stipulating that resources be used only after a specific date, for particular purposes, including research activities, or to acquire buildings and equipment. Other donors impose restrictions that are perpetual in nature, for example, donor-restricted endowment funds stipulating that resources be maintained in perpetuity.

*Net assets without donor restrictions* contain no donor-imposed restrictions and are available for the general operations of Lifespan. Such net assets may be designated by Lifespan for specific purposes, including functioning as endowment funds.

See note 7 for more information about Lifespan's endowment.

**(j) Excess (Deficiency) of Revenues over Expenses**

The consolidated statements of operations and changes in net assets include excess (deficiency) of revenues over expenses. Changes in net assets without donor restrictions which are excluded from excess (deficiency) of revenues over expenses, consistent with industry practice, include the change in funded status of pension and other postretirement plans other than net periodic pension and postretirement benefit costs, the cumulative effect of the adoption of ASU 2016-01, and net assets released from restrictions used for purchase of property and equipment.

**(k) Patient Service Revenue**

Lifespan hospitals (the Hospitals) provide care to patients under Medicare, Medicaid, Blue Cross, managed care, and commercial insurance contractual arrangements. The Hospitals have agreements with many third-party payors that provide for payments to the Hospitals at amounts less than their established rates. Patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with some third-party payors.

Medicare and Medicaid utilize prospective payment systems for most inpatient hospital services rendered to program beneficiaries based on the classification of each case into a diagnostic-related group (DRG). Outpatient hospital services are primarily paid using an ambulatory payment classification system.

The majority of payments from Blue Cross, managed care, and commercial insurance companies are based upon fixed fee arrangements, some of which follow a DRG-based approach, while others employ a combination of per diem rates and specific case rates for inpatient services, along with fixed fees applicable to outpatient services.

**LIFESPAN CORPORATION AND AFFILIATES**

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands)

**(3) Summary of Significant Accounting Policies (continued)****(k) Patient Service Revenue (continued)**

Settlements and adjustments arising under reimbursement arrangements with some third-party payors, primarily Medicare, Medicaid, and Blue Cross, are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Lifespan has classified a portion of accrued estimated third-party payor settlements as long-term because such amounts, by their nature or by virtue of regulation or legislation, will not be paid within one year. Changes in the Medicare and Medicaid programs, such as the reduction of reimbursement, could have an adverse impact on certain Lifespan affiliates.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. Lifespan also provides services to uninsured patients, and offers those uninsured patients a discount, either by policy or law, from standard charges. Lifespan estimates the transaction price for patients with deductibles and coinsurance and for those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions, which are determined based on historical collection experience. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change or are accrued on an estimated basis in the period the related services are rendered, and are adjusted in future periods as final settlements are determined.

Consistent with Lifespan's mission, care is provided to patients regardless of their ability to pay. Uninsured patients and other patients qualifying for financial assistance receive a discount that is at least equal to the discount received by Medicare beneficiaries on hospital charges using the prospective method as defined by IRC §501(r). Under the prospective method, the maximum amount that can be charged to qualifying individuals for emergency or other medically necessary care is the amount the hospitals would use in their billing and coding process if applicable individuals were a Medicare fee-for-service beneficiary. In no case is there a situation where an uninsured patient paid more than amounts reimbursed from Medicare. Charity care and other community benefits are not reported as patient service revenue (see note 2).

**LIFESPAN CORPORATION AND AFFILIATES**

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands)

**(3) Summary of Significant Accounting Policies (continued)****(k) Patient Service Revenue (continued)**

The following table reflects patient service revenue from third-party payors, government subsidies, and others (including uninsured patients) for the years ended September 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Medicare and Senior Care	\$ 716,022	\$ 734,634
Blue Cross	483,541	437,037
Medicaid and Rlte Care	557,114	546,520
Managed Care	93,808	140,880
Commercial, self-pay, and other	<u>211,197</u>	<u>249,145</u>
Total patient service revenue	<u>\$ 2,061,682</u>	<u>\$ 2,108,216</u>

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Lifespan believes that it complies with all applicable laws and regulations. Compliance with laws and regulations can be subject to future government review and interpretation as well as significant regulatory action; failure to comply with such laws and regulations can result in fines, penalties, and exclusion from Medicare and Medicaid programs.

**(l) Other Revenues**

Included in other revenues are \$108,800 in grants released by the HHS under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, as well as \$21,000 in funding from the U.S. Department of the Treasury under the State of Rhode Island's Hospital Assistance Partnership Program (see note 4).

Other revenues also consist of contributions and net assets released from restrictions as well as cafeteria and parking income. Additionally, pharmacy sales and other contracts related to health care services are included in other revenues and consist of contracts which vary in duration and in performance. Revenue is recognized when the performance obligations identified within the individual contracts are satisfied and collections are probable.

**LIFESPAN CORPORATION AND AFFILIATES**

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands)

**(3) Summary of Significant Accounting Policies (continued)****(m) Research Grants and Contracts**

Revenue related to research grants and contracts is recognized as the related costs are incurred. Indirect costs relating to certain government grants and contracts are reimbursed at fixed rates negotiated with the government agencies. Amounts received in advance of incurring the related expenditures are recorded as unexpended research grants and are included in net assets with donor restrictions in the accompanying consolidated statements of financial position.

**(n) Charity Care**

Lifespan hospitals provide care to patients who meet certain criteria under their charity care policies without charge or at amounts less than their established rates. Because the Lifespan hospitals do not pursue collection of amounts determined to qualify as charity care, they are not reported as patient service revenue (see note 2).

**(o) Donor-Restricted Gifts**

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of future cash flows. The discounts on those amounts are computed using interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in gifts, grants, and bequests. Conditional promises to give are not recorded as support until the conditions are substantially met.

Amounts received, including contributions and accumulated investment returns, whose use has been restricted by donors to a specific period or purpose or that have been restricted by donors to be maintained in perpetuity to provide a permanent source of income, are reported as net assets with donor restrictions. When a donor or grantor restriction expires, that is, when a stipulated purpose restriction is accomplished, donor-restricted net assets are reclassified as net assets without donor restrictions and reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions.

**(p) Inventories**

Inventories, consisting primarily of medical/surgical supplies and pharmaceuticals, are stated at the lower of cost or net realizable value.

**LIFESPAN CORPORATION AND AFFILIATES**

Notes to Consolidated Financial Statements

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(In thousands)

**(3) Summary of Significant Accounting Policies (continued)****(q) Estimated Self-Insurance Costs**

Lifespan is self-insured for losses arising from professional liability/medical malpractice, general liability, and workers' compensation claims. The provision for these self-insured losses includes estimates of the ultimate costs for both reported claims and claims incurred but not reported. RISE, Lifespan's affiliated captive insurance company, pays professional liability/medical malpractice and general liability claims. Lifespan has segregated certain investments included in assets limited as to use for payment of workers' compensation claims. Independent actuaries have been retained to assist Lifespan with determining both the provision for self-insured losses and amounts to be deposited in funds available for self-insurance liabilities.

Lifespan provides self-insured health benefit options to the employees of all affiliates. Lifespan has recorded a provision for estimated claims, which is based on Lifespan's own experience. The provision for these self-insured losses includes estimates of the ultimate costs for both reported claims and claims incurred but not reported.

**(r) Fair Value of Financial Instruments**

The carrying amounts recorded in the consolidated statements of financial position for cash and cash equivalents, patient accounts receivable, contributions receivable, assets limited as to use, accounts payable, accrued expenses, estimated third-party payor settlements, and estimated self-insurance costs approximate their respective fair values. The estimated fair values of Lifespan's assets limited as to use and pension-related assets are disclosed in notes 7 and 11, respectively.

**(s) Accounting Pronouncements Not Yet Adopted**

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires lessees to recognize most leases in the statement of financial position, increasing reported assets and liabilities. This ASU was developed to provide financial statement users with more information about an entity's leasing activities and will require changes in processes and internal controls. On June 3, 2020, the FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, which delays the effective date of *Topic 842* for public not-for-profit conduit bond obligors to fiscal years beginning after December 15, 2019. The FASB also noted that it will consider additional effective date delays as a result of the current COVID-19 Pandemic. Lifespan is currently assessing the effect and timing of the adoption of ASU 2016-02, which is expected to have a significant impact on its financial position but limited impact on its results of operations.

**(t) Reclassifications**

Certain 2019 amounts have been reclassified to conform to the 2020 reporting format.

**LIFESPAN CORPORATION AND AFFILIATES**

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands)

**(4) COVID-19 Pandemic Impact**

In January 2020, the Secretary of HHS declared a national public health emergency due to a novel strain of coronavirus (COVID-19) and in March 2020, the World Health Organization announced the spread of the virus to be a pandemic. Also, in coordination with State of Rhode Island health authorities, in March 2020 Lifespan initiated emergency measures to prevent avoidable transmission of the illness, including canceling non-urgent elective surgeries, procedures, and clinic visits. At that time, Lifespan also implemented significant new safety measures, expanded critical care bed capacity, acquired personal protective equipment, expanded testing capabilities, and created a redeployment process for clinical and nonclinical staff to work in areas where the need was most urgent.

The cancellation of non-urgent elective procedures and ambulatory visits resulted in a significant reduction in patient volume. In addition to the lost revenue that accompanied the lower patient volume, Lifespan experienced a significant increase in operating expenses associated with the purchase of personal protective equipment, certain pharmaceuticals, and COVID-19 testing supplies.

As a result of the COVID-19 outbreak, the Federal Government took various actions intended to assist health care providers, and in March 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act became law. The CARES Act included funding to eligible providers which is not subject to repayment if providers attest to certain terms and conditions required by HHS, including that the funds were used to offset COVID-related expenses. Lifespan's assessment of whether the terms and conditions related to CARES Act funding have been met considers all frequently asked questions and other interpretive guidance issued by HHS through February 25, 2021. However, amounts recognized as revenue could change in the future based on continuing analysis of lost revenues and COVID-related expenses as well as evolving compliance guidance provided by HHS. During 2020, Lifespan received \$165,200 of CARES Act funding (i.e., Provider Relief Funds) and \$108,800 of that funding was recognized within other revenues in the consolidated statement of operations and changes in net assets. As of September 30, 2020, \$56,400 of the funding was deferred and recorded within other accrued expenses in the consolidated statement of financial position. In October 2020, Lifespan received additional funding of \$5,000 under the CARES Act.

During the fiscal year ended September 30, 2020, Lifespan sought and received \$24,638 from the U.S. Department of the Treasury under the Rhode Island Hospital Assistance Partnership Program (RI HAPP) in the form of grants released by the Rhode Island Department of Administration. \$21,000 of that funding (i.e., Coronavirus Relief Funds) was recognized within other revenues in the consolidated statement of operations and changes in net assets, while \$3,638 is reflected in net assets with donor restrictions in the consolidated statement of financial position. In December 2020, Lifespan received additional funding of \$66,475 under the RI HAPP Program.

**LIFESPAN CORPORATION AND AFFILIATES**

Notes to Consolidated Financial Statements

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(In thousands)

**(4) COVID-19 Pandemic Impact (continued)**

The CARES Act also expanded the Medicare Accelerated/Advance Payments Program (the Program) and allowed eligible providers to receive up to six months of Medicare payments in advance. As of September 30, 2020, Lifespan received \$169,900 under the Program and recorded the payments within estimated third-party payor settlements (\$50,600 current, \$119,300 noncurrent) in the consolidated statement of financial position. These advance payments are interest-free, with repayments to occur from April 2021 through September 2022.

In addition, the CARES Act provided for deferred deposits of the employer portion of Social Security taxes (FICA) applicable to wages paid from March 27, 2020 through December 31, 2020. 50% of the eligible deferred amount is due on December 31, 2021, with the remaining 50% due on December 31, 2022. As of September 30, 2020, Lifespan had deferred FICA deposits totaling \$29,524, which are recorded within other liabilities in the consolidated statement of financial position.

Under the CARES Act, single employer defined benefit plan funding requirements for 2020, including quarterly contributions, may be delayed until January 4, 2021, at which time the contributions must be paid with interest for the period of deferral. Lifespan elected this moratorium for its April 15, 2020 and July 15, 2020 contributions. On January 4, 2021, Lifespan made contributions totaling \$18,500, representing the April 15, 2020 and July 15, 2020 quarterly contributions and interest thereon.

Although non-elective surgeries, procedures, and clinic visits were restarted in June 2020 subject to certain clinical guidelines, the Pandemic's ultimate effect on Lifespan's financial condition will depend on the duration and severity of the Pandemic and the negative economic conditions arising from the broad impact of the Pandemic.

**(5) Supplemental Financial Information**

The following table presents cash and cash equivalents as reported in the consolidated statements of financial position, as well as the sum of cash, cash equivalents, and restricted cash as reported in the consolidated statements of cash flows in accordance with the adoption of ASU 2016-18 discussed in note 3(b) above. Restricted cash is included in assets limited to use and other noncurrent assets in the consolidated statements of financial position.

	<b>September 30</b>	
	<b>2020</b>	<b>2019</b>
Cash and cash equivalents	\$ 413,587	\$ 118,338
Restricted cash	6,006	8,778
Cash, cash equivalents, and restricted cash	<u>\$ 419,593</u>	<u>\$ 127,116</u>

**LIFESPAN CORPORATION AND AFFILIATES**

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands)

**(6) Disproportionate Share**

RIH, TMH, and NH (the Hospitals) are participants in the State of Rhode Island's Disproportionate Share Program, established in 1995 to assist hospitals which provide a disproportionate amount of uncompensated care. Under the program, Rhode Island hospitals, including the Hospitals, receive federal and state Medicaid funds as additional reimbursement for treating a disproportionate share of low-income patients. Total payments to the Hospitals under the Disproportionate Share Program aggregated \$78,469 and \$74,313 in 2020 and 2019, respectively, and are reflected as part of patient service revenue in the accompanying consolidated statements of operations and changes in net assets.

For periods beyond 2021, the federal government is scheduled to reduce the level of federal matching funds for the Disproportionate Share Program. Accordingly, it may be necessary for the State of Rhode Island to modify the program and the reimbursement to Rhode Island hospitals under the program. At this time, the scope of such modifications or their effect on the Hospitals cannot be reasonably determined.

**(7) Investments**

The composition of assets limited as to use at September 30, 2020 and 2019 is set forth in the following table:

	<u>2020</u>	<u>2019</u>
Funds available for self-insurance liabilities	\$ 171,455	\$ 159,472
Investments without donor restrictions	523,564	496,131
Investments with donor restrictions	<u>579,716</u>	<u>541,399</u>
Total	<u>\$ 1,274,735</u>	<u>\$ 1,197,002</u>

## LIFESPAN CORPORATION AND AFFILIATES

## Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands)

## (7) Investments (continued)

## Fair Value

The following tables summarize Lifespan's investments and assets held in trust by major category within the ASC 820-10 fair value hierarchy as of September 30, 2020 and 2019, as well as related strategy and liquidity/notice requirements:

	2020				Redemption frequency	Days' notice
	Level 1	Level 2	Level 3	Total		
U.S. equities:						
Large cap value	\$ 99,483	\$ —	\$ —	\$ 99,483	Daily	One
Mid-cap value	25,378	—	—	25,378	Daily	One
Large cap growth	110,021	—	—	110,021	Daily	One
International equities:						
Developed markets	1,114	89,385	—	90,499	Daily – Monthly	One – Thirty
Emerging markets	11,009	—	—	11,009	Daily	One
Commodities:						
Energy	6,464	—	—	6,464	Daily	One
Real estate	—	18,992	—	18,992	Monthly	Sixteen
Fixed income:						
U.S. Treasuries	34,222	—	—	34,222	Daily	One
U.S. Government and agency	72,581	32,578	—	105,159	Daily	One
Domestic bonds	63,523	173,888	—	237,411	Daily	One
Short-term investments	50,360	—	—	50,360	Daily	One
	474,155	314,843	—	788,998		
Assets held in trust (note 9)	—	—	70,218	70,218	Illiquid	N/A
Total	\$ 474,155	\$ 314,843	\$ 70,218	\$ 859,216		

	2019				Redemption frequency	Days' notice
	Level 1	Level 2	Level 3	Total		
U.S. equities:						
Large cap value	\$ 96,483	\$ —	\$ —	\$ 96,483	Daily	One
Mid-cap value	23,355	—	—	23,355	Daily	One
Large cap growth	105,597	—	—	105,597	Daily	One
International equities:						
Developed markets	1,084	79,392	—	80,476	Daily – Monthly	One – Thirty
Emerging markets	18,750	—	—	18,750	Daily	One
Commodities:						
Energy	12,167	—	—	12,167	Daily	One
Various	14,364	—	—	14,364	Daily	One
Real estate	—	22,496	—	22,496	Monthly	Sixteen
Fixed income:						
U.S. Treasuries	51,765	—	—	51,765	Daily	One
U.S. Treasury inflation-protected	—	19,981	—	19,981	Daily	Two
U.S. Government and agency	61,218	29,287	—	90,505	Daily	One
Domestic bonds	54,015	114,817	—	168,832	Daily	One
Short-term investments	20,604	—	—	20,604	Daily	One
	459,402	265,973	—	725,375		
Assets held in trust (note 9)	—	—	68,969	68,969	Illiquid	N/A
Total	\$ 459,402	\$ 265,973	\$ 68,969	\$ 794,344		

## LIFESPAN CORPORATION AND AFFILIATES

## Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands)

## (7) Investments (continued)

## Fair Value (continued)

The following tables reconcile investments in certain funds measured at NAV or its equivalent as a practical expedient to investments reported in the consolidated statements of financial position as of September 30, 2020 and 2019:

	<u>2020</u>	<u>Redemption frequency</u>	<u>Days' notice</u>
U.S. equities:			
Large cap growth	\$ 54,304	Monthly	Fourteen
Marketable alternatives:			
Multiple strategies	33,517	Quarterly – Annually	Sixty – Ninety
Long-short equity	17,424	Monthly	Sixty
Absolute return strategies	87,512	Monthly – Annually	Sixty – Ninety
Absolute return strategies	4,431	Illiquid	N/A
International equities:			
Developed markets	55,787	Monthly	Ten – Thirty
Emerging markets	28,918	Monthly	Twenty
Private investments	<u>133,626</u>	Illiquid	N/A
Total investments measured at NAV	415,519		
All other investments	<u>859,216</u>		
Total investments	<u>\$ 1,274,735</u>		

	<u>2019</u>	<u>Redemption frequency</u>	<u>Days' notice</u>
U.S. equities:			
Large cap growth	\$ 45,503	Monthly	Fourteen
Marketable alternatives:			
Multiple strategies	33,795	Quarterly – Annually	Sixty – Ninety
Long-short equity	20,391	Monthly	Sixty
Absolute return strategies	133,649	Semi-monthly – Annually	Sixty – Ninety
Absolute return strategies	4,089	Illiquid	N/A
International equities:			
Developed markets	59,847	Monthly	Ten – Thirty
Emerging markets	35,235	Monthly	Twenty
Private investments	<u>70,149</u>	Illiquid	N/A
Total investments measured at NAV	402,658		
All other investments	<u>794,344</u>		
Total investments	<u>\$ 1,197,002</u>		

**LIFESPAN CORPORATION AND AFFILIATES**

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands)

**(7) Investments (continued)**

The following table presents Lifespan's activity for the years ended September 30, 2020 and 2019 for investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as defined in ASC 820-10:

	<b>Assets held in trust</b>	
	<u>2020</u>	<u>2019</u>
Fair value at October 1	\$ 68,969	\$ 70,428
Net unrealized gains (losses)	<u>1,249</u>	<u>(1,459)</u>
Fair value at September 30	<u>\$ 70,218</u>	<u>\$ 68,969</u>

**Commitments**

Venture capital, private equity, private credit, real estate, and energy investments are made through limited partnerships. Under the terms of these agreements, Lifespan is obligated to remit additional funding periodically as capital or liquidity calls are exercised by the manager. These partnerships have a limited existence, generally ten years, and such agreements may provide for annual extensions to dispose of portfolio positions and return capital to investors. However, depending on market conditions, the inability to execute the fund's strategy, and other factors, a manager may extend the terms of a fund beyond its originally anticipated existence or may wind the fund down prematurely. Lifespan cannot anticipate such changes because they are based on unforeseen events, but should they occur they may result in less liquidity or return from the investment than originally anticipated. As a result, the timing and amount of future capital or liquidity calls expected to be exercised in any future year is uncertain. The aggregate amount of unfunded commitments associated with the above-noted investment categories as of September 30, 2020 was \$74,260.

## LIFESPAN CORPORATION AND AFFILIATES

## Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands)

**(7) Investments (continued)****Endowments**

Lifespan's endowment consists of 498 individual funds established for a variety of purposes, including both donor-restricted endowment funds and funds designated by Lifespan to function as endowments. Investments associated with endowment funds, including funds designated by Lifespan to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment funds consist of the following at September 30, 2020:

	<u>Without</u> <u>donor restrictions</u>	<u>With</u> <u>donor restrictions</u>	<u>Total</u>
Endowment funds with donor restrictions	\$ —	\$ 579,716	\$ 579,716
Internally board-designated endowment funds	<u>523,564</u>	<u>—</u>	<u>523,564</u>
Total endowment funds	<u>\$ 523,564</u>	<u>\$ 579,716</u>	<u>\$ 1,103,280</u>

Endowment funds consist of the following at September 30, 2019:

	<u>Without</u> <u>donor restrictions</u>	<u>With</u> <u>donor restrictions</u>	<u>Total</u>
Endowment funds with donor restrictions	\$ —	\$ 541,399	\$ 541,399
Internally board-designated endowment funds	<u>496,131</u>	<u>—</u>	<u>496,131</u>
Total endowment funds	<u>\$ 496,131</u>	<u>\$ 541,399</u>	<u>\$ 1,037,530</u>

## LIFESPAN CORPORATION AND AFFILIATES

## Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands)

**(7) Investments (continued)*****Endowments (continued)***

Changes in endowment funds for the year ended September 30, 2020 are as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment funds, October 1, 2019	\$ 496,131	\$ 541,399	\$ 1,037,530
Interest, dividends, and net realized gains	16,685	25,450	42,135
Cash gifts, grants, and bequests	3,680	129,873	133,553
Deposits	21,012	—	21,012
Net assets released from restrictions	—	(133,021)	(133,021)
Cumulative effect of change in accounting principle	19,535	18,624	38,159
Withdrawals, net	(33,479)	—	(33,479)
Other decreases	—	(2,609)	(2,609)
Endowment funds, September 30, 2020	<u>\$ 523,564</u>	<u>\$ 579,716</u>	<u>\$ 1,103,280</u>

Changes in endowment funds for the year ended September 30, 2019 are as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment funds, October 1, 2018	\$ 525,331	\$ 543,982	\$ 1,069,313
Interest, dividends, and net realized and unrealized gains	5,257	12,179	17,436
Cash gifts, grants, and bequests	3,280	115,281	118,561
Net assets released from restrictions	—	(126,982)	(126,982)
Withdrawals, net	(37,737)	—	(37,737)
Other decreases	—	(3,061)	(3,061)
Endowment funds, September 30, 2019	<u>\$ 496,131</u>	<u>\$ 541,399</u>	<u>\$ 1,037,530</u>

**LIFESPAN CORPORATION AND AFFILIATES**

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands)

**(7) Investments (continued)*****Endowments (continued)*****(a) *Interpretation of Relevant Law***

Net assets with donor restrictions for donor-restricted endowment funds of perpetual durations are comprised of: (a) the original value of the contributions made to the endowment, (b) the original value of the subsequent contributions made to the endowment, and (c) accumulations to the endowment made in accordance with applicable donor gift instruments. Any donor-restricted endowments that are not perpetual in nature are appropriated for expenditure by the applicable Lifespan affiliates in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, these Lifespan affiliates consider the following factors in deciding to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the applicable Lifespan affiliate and donor-restricted endowment funds
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the applicable Lifespan affiliate
- Lifespan's investment policy

**(b) *Return Objectives and Risk Parameters***

Lifespan has created an investment policy for endowment assets with the objective of providing a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets, including both donor-restricted funds and board-designated funds without donor restrictions. Under this policy, as approved by Lifespan's Investment Committee, the endowment assets are invested in a manner that is intended to produce results that exceed the total benchmark return over a full market cycle while assuming a moderate level of investment risk. Lifespan expects its endowment funds, over a full market cycle, to provide an average annual real rate of return of approximately 5% plus inflation annually. Actual returns in any given year or period of years may vary from this amount.

**(c) *Strategies Employed for Achieving Objectives***

To satisfy its long-term rate of return objectives, Lifespan relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Lifespan utilizes a diversified asset allocation that places emphasis on investments in public equity, private investments, marketable alternatives, real assets, fixed income, and cash to achieve its long-term return objectives within prudent risk parameters.

**LIFESPAN CORPORATION AND AFFILIATES**

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands)

**(7) Investments (continued)*****Endowments (continued)*****(d) Spending Policy**

Lifespan invests its endowment funds in accordance with the total return concept. Applicable endowments include board-designated endowment funds without donor restrictions and donor-restricted endowment funds. The governing Boards of certain Lifespan affiliates have approved an endowment spending rate of 4% based on all the above factors. This spending rate is applied to the average fair value of the applicable endowments for the immediately preceding three years.

**(8) Liquidity and Availability of Resources**

Financial assets without donor restrictions consist of the following as of September 30:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 413,587	118,675
Patient accounts receivable	236,852	238,369
Other receivables	43,913	29,219
Total financial assets available within one year	<u>\$ 694,352</u>	<u>386,263</u>

Lifespan manages its financial assets to be available as its operating expenditures and liabilities come due and invests cash in excess of daily requirements in short-term investments. Lifespan has \$50,288 in investment funds available for current professional liability/medical malpractice, workers' compensation, and other self-insurance liabilities expected to be paid within one year. Additionally, Lifespan has board-designated endowments of \$523,564 and \$496,131 as of September 30, 2020 and 2019, respectively. Although Lifespan does not intend to spend from its board-designated endowment funds, other than amounts appropriated for general expenditures as part of its annual budget approval and appropriation process, amounts from its board-designated endowments could be made available if necessary. However, both board-designated funds and donor-restricted endowment funds contain investments with liquidity constraints, of which \$417,936 and \$433,045 can be liquidated on a daily to quarterly basis as of September 30, 2020 and 2019, respectively (refer to note 7 for disclosures about investments).

**(9) Assets Held in Trust**

Certain Lifespan affiliates (Bradley, RIH, and NH) are beneficiaries of various irrevocable charitable and split-interest trusts. The fair market value of these investments at September 30, 2020 and 2019 was \$70,218 and \$68,969, respectively, and is reported as donor-restricted funds held in perpetuity within assets limited as to use in the consolidated statements of financial position.

**LIFESPAN CORPORATION AND AFFILIATES**

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands)

**(10) Property and Equipment**

Property and equipment, by major category, is as follows at September 30:

	<u>2020</u>	<u>2019</u>
Land and improvements	\$ 48,105	\$ 48,870
Buildings and improvements	1,293,140	1,271,087
Equipment	<u>810,992</u>	<u>770,350</u>
	2,152,237	2,090,307
Less accumulated depreciation and amortization	<u>1,363,174</u>	<u>1,275,078</u>
	789,063	815,229
Construction in progress	<u>31,942</u>	<u>25,289</u>
Property and equipment, net	<u>\$ 821,005</u>	<u>\$ 840,518</u>

Depreciation and amortization expense for the years ended September 30, 2020 and 2019 amounted to \$91,552 and \$89,494, respectively.

The estimated capital expenditures needed to complete both active construction in progress and projects not yet started but committed to under noncancelable contracts totaled \$18,500 at September 30, 2020, comprised principally of RIH (\$8,400), TMH (\$5,700), NH (\$2,600), and LPG (\$1,100).

**LIFESPAN CORPORATION AND AFFILIATES**

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands)

**(11) Pension and Other Postretirement Benefits*****Pension Benefits***

Lifespan Corp. sponsors the Lifespan Corporation Retirement Plan (the Plan), which was established effective January 1, 1996 when the Rhode Island Hospital Retirement Plan (the RIH Plan) merged into The Miriam Hospital Retirement Plan (the TMH Plan). Upon completion of the merger, the new plan was renamed and is governed by provisions of the Plan. Each employee who was a participant in the RIH Plan or the TMH Plan and was an eligible employee on January 1, 1996 continues to be a participant on and after January 1, 1996, subject to the provisions of the Plan. Employees are included in the Plan on the first of the month which is the later of their first anniversary of employment or the attainment of age 18. Effective January 1, 1997, the Emma Pendleton Bradley Hospital Retirement Plan (the Bradley Plan) merged into the Plan. Each employee who was a participant in the Bradley Plan and was an eligible employee on January 1, 1997 continues to be a participant on and after January 1, 1997, subject to the provisions of the Plan.

Effective December 31, 1997, the Pension Plan for Employees of Newport Health Care Corporation and Subsidiaries (the NHCC Plan) merged into the Plan. Each employee who was a participant in the NHCC Plan and was an eligible employee on December 31, 1997 continues to be a participant in the Plan on and after December 31, 1997, subject to the provisions of the Plan.

The Plan is intended to constitute a plan described in Section 414(k) of the Internal Revenue Code (IRC), under which participant benefits are derived from employer contributions based on the separate Choice Matched Retirement Savings Account balances of participants in addition to the defined benefits provided under the Plan, which are based on an employee's years of credited service and annual compensation. Lifespan's funding policy is to contribute amounts to the Plan sufficient to meet minimum funding requirements set forth in the Employee Retirement Income Security Act of 1974 (ERISA) and the IRC as amended, plus such additional amounts as may be determined to be appropriate by Lifespan.

Substantially all employees of RIH, TMH, Bradley, NH, LPG, Gateway, Lifespan Corp., and other Lifespan affiliates who meet the above requirements are eligible to participate in the Plan.

**LIFESPAN CORPORATION AND AFFILIATES**

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands)

**(11) Pension and Other Postretirement Benefits (continued)*****Plan Amendments***

Effective December 31, 2017, the Plan was amended to cease all future participation and benefit accruals for pay periods ending after December 23, 2017 for those employees whose terms and conditions of employment are not covered by a collective bargaining agreement. Lifespan remeasured the Plan's assets and liabilities at the amendment date, based on assumptions and market conditions as of that date. All previously eligible employees, as well as new employees whose terms and conditions of employment are not covered by a collective bargaining agreement, became eligible to participate prospectively in a newly formed defined contribution plan, the Lifespan 401(k) Retirement Savings Plan (the 401(k) Retirement Savings Plan), which includes an automatic Lifespan matching contribution based on the salary deferral elections of participants up to a maximum of 6% of eligible base pay. Lifespan's matching contribution charged to expense amounted to \$37,932 in 2020 and \$33,869 in 2019, respectively.

Effective April 1, 2018, the accounts of each active nonunion Plan participant invested in a Choice Matched Retirement Savings Account were merged into the 401(k) Retirement Savings Plan. Merged accounts were administered in accordance with the Plan on and after April 1, 2018, including the allocation of investment earnings, gains, and losses until the merged accounts were physically transferred to the 401(k) Retirement Savings Plan.

During the fiscal year ended September 30, 2019, the Plan was amended such that a United Nurses and Allied Professionals (UNAP) employee who was hired, rehired, or transferred to a UNAP-covered position on or before December 31, 2018, and who made a one-time irrevocable election to discontinue participation in the Plan and commence participation in the 401(k) Retirement Savings Plan, became a Participant in the 401(k) Retirement Savings Plan for purposes of elective contributions effective January 1, 2019 (the "2018 Opt-Out group") or effective October 1, 2019 (the "2019 Opt-Out group").

Effective September 1, 2019, the Plan was amended such that an International Brotherhood of Teamsters (IBT) employee who was hired, rehired, or transferred to an IBT-covered position on or before August 31, 2019, and who made a one-time irrevocable election, effective December 31, 2019, to discontinue participation in the Plan and commence participation in the 401(k) Retirement Savings Plan, became a Participant in the 401(k) Retirement Savings Plan for purposes of elective contributions effective January 1, 2020.

From January 1, 2019 forward, newly hired, rehired, or transferred UNAP employees are not eligible to participate in the Plan. From September 1, 2019 forward, newly hired, rehired, or transferred IBT employees are not eligible to participate in the Plan.

## LIFESPAN CORPORATION AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands)

**(11) Pension and Other Postretirement Benefits (continued)**

The provisions of FASB ASC Topic 715, *Compensation-Retirement Benefits: Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans* (ASC 715), require an employer to recognize in its statement of financial position an asset for a benefit plan's overfunded status or a liability for a plan's underfunded status, and to recognize changes in that funded status in the year in which the changes occur through changes in net assets without donor restrictions. The funded-status amount is measured as the difference between the fair value of plan assets and the projected benefit obligation including all actuarial gains and losses and prior service cost. Based on September 30, 2020 and 2019 funded-status amounts for the Plan, Lifespan recorded an increase in net assets without donor restrictions of \$7,372 in 2020 and a decrease in net assets without donor restrictions of \$65,313 in 2019.

The estimated amounts that will be amortized from net assets without donor restrictions into net periodic pension cost in 2021 are as follows:

Net actuarial loss	\$	18,242
Prior service cost		122
	\$	<u>18,364</u>

The following tables set forth the Plan's projected benefit obligation and the fair value of plan assets.

	<u>2020</u>	<u>2019</u>
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	\$ 750,203	\$ 684,668
Service cost	11,094	10,320
Interest cost	22,095	27,606
Plan settlement	(51,852)	—
Actuarial loss	45,016	72,763
Effect of plan amendments	(728)	(1,793)
Benefits paid	(9,474)	(43,361)
Projected benefit obligation at end of year	\$ <u>766,354</u>	\$ <u>750,203</u>

The accumulated benefit obligation at the end of 2020 and 2019 was \$737,502 and \$718,346, respectively.

	<u>2020</u>	<u>2019</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	\$ 499,930	\$ 496,145
Actual return on plan assets	41,305	17,219
Employer contributions	27,284	29,927
Plan settlement	(51,852)	—
Benefits paid	(9,474)	(43,361)
Fair value of plan assets at end of year	\$ <u>507,193</u>	\$ <u>499,930</u>

## LIFESPAN CORPORATION AND AFFILIATES

## Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands)

**(11) Pension and Other Postretirement Benefits (continued)**

The funded status of the Plan and amounts recognized in the consolidated statements of financial position at September 30, pursuant to ASC 715 (as opposed to ERISA), are as follows:

	<u>2020</u>	<u>2019</u>
Funded status, end of year:		
Fair value of plan assets	\$ 507,193	\$ 499,930
Projected benefit obligation	<u>766,354</u>	<u>750,203</u>
Accrued pension liability	<u>\$ (259,161)</u>	<u>\$ (250,273)</u>
	<u>2020</u>	<u>2019</u>
Amounts not yet reflected in net periodic pension cost and included in net assets without donor restrictions:		
Prior service cost	\$ (1,455)	\$ (105)
Accumulated net actuarial loss	<u>(220,735)</u>	<u>(229,457)</u>
Amounts not yet recognized as a component of net periodic pension cost	(222,190)	(229,562)
Accumulated net periodic pension cost in excess of employer contributions	<u>(36,971)</u>	<u>(20,711)</u>
Net amount recognized	<u>\$ (259,161)</u>	<u>\$ (250,273)</u>
	<u>2020</u>	<u>2019</u>
Sources of change in net assets without donor restrictions:		
Net loss arising during the year	\$ (24,965)	\$ (78,777)
Amortizations:		
Pension settlement charge	14,565	—
Net actuarial loss	19,121	13,454
Prior service cost	<u>(1,349)</u>	<u>10</u>
Total net assets without donor restrictions gain (loss) recognized during the year	<u>\$ 7,372</u>	<u>\$ (65,313)</u>

## LIFESPAN CORPORATION AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands)

**(11) Pension and Other Postretirement Benefits (continued)****Net Periodic Pension Cost**

Components of net periodic pension cost are as follows for the years ended September 30:

	<u>2020</u>	<u>2019</u>
Service cost, included in compensation and benefits	\$ 11,094	\$ 10,320
Non-service periodic pension costs:		
Interest cost	22,095	27,606
Expected return on plan assets	(23,329)	(25,026)
Pension settlement charge	14,565	—
Amortization of net actuarial loss	19,121	13,454
Amortization of prior service cost	<u>10</u>	<u>10</u>
Total non-service periodic pension costs	<u>32,462</u>	<u>16,044</u>
Net periodic pension cost	<u>\$ 43,556</u>	<u>\$ 26,364</u>

Based on the level of lump sum distributions that were paid by the Plan in 2020, many of which were associated with Lifespan's Voluntary Early Retirement Program (VERP, see note 23), Lifespan incurred a non-cash settlement charge of \$14,565.

The following weighted average assumptions were used by the Plan's actuary to determine net periodic pension cost and benefit obligations:

	<u>2020</u>	<u>2019</u>
Discount rate for benefit obligations	2.70%	3.16%
Discount rate for net periodic pension cost	3.16%	4.31%
Rate of compensation increase	4.50%	4.50%
Expected long-term rate of return on Plan assets	7.00%	7.00%

## LIFESPAN CORPORATION AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands)

## (11) Pension and Other Postretirement Benefits (continued)

*Net Periodic Pension Cost (continued)*

The asset allocation for the Plan at September 30, 2020 and 2019, and the target allocation for 2021, by asset category, are as follows:

Asset category	Target allocation	Percentage of plan assets	
	2021	September 30 2020	2019
U.S. equities	22.0%	23.2%	24.0%
Marketable alternatives	15.0%	13.8	17.2
International equities	22.0%	19.6	20.9
Liquid diversifiers	8.0%	7.9	—
Private equity/venture capital	-	0.1	0.1
Commodities	-	—	1.7
Real estate	-	—	1.5
Fixed income	30.0%	30.7	33.4
Short-term investments	3.0%	4.7	1.2
Total		<u>100.0%</u>	<u>100.0%</u>

The asset allocation table above does not include \$64,430 and \$55,912 of Plan assets at September 30, 2020 and 2019, respectively, attributable to the Choice Matched Retirement Savings Account balances of participants which are managed in various mutual funds by Fidelity Investments (Fidelity).

The overall financial objective of the Plan is to meet present and future obligations to beneficiaries, while minimizing long-term contributions to the Plan (by earning an adequate, risk-adjusted return on Plan assets), with moderate volatility in year-to-year contribution levels.

The primary investment objective of the Plan is to attain the average annual real total return (net of investment management fees) assumed in the Plan's most recent actuarial assumptions over the long term (rolling five-year periods). Real total return is the sum of capital appreciation (or loss) and current income (dividends and interest) adjusted for inflation as measured by the Consumer Price Index. It is recognized that the real return objective may be difficult to attain in every five-year period but should be attainable over a series of five-year periods. Performance is also measured against various benchmarks.

Lifespan employs a rigorous process to annually determine the expected long-term rate of return on Plan assets, which is only changed based on significant shifts in economic and financial market conditions. This estimate is primarily driven by actual historical asset-class returns along with our long-term outlook for a globally diversified portfolio. Asset allocations are regularly reviewed and, if necessary, updated based on Plan investment objectives and evaluations of future market returns for each asset class.

## LIFESPAN CORPORATION AND AFFILIATES

## Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands)

## (11) Pension and Other Postretirement Benefits (continued)

*Fair Value*

The following tables summarize the Plan's investments by major category within the ASC 820-10 fair value hierarchy as of September 30, 2020 and 2019, as well as related strategy and liquidity/notice requirements:

	2020			Redemption frequency	Days' notice
	Level 1	Level 2	Total		
U.S. equities:					
Mid-cap value	\$ 9,770	\$ —	\$ 9,770	Daily	One
Large cap value	10,430	—	10,430	Daily	One
Large cap growth	49,055	—	49,055	Daily	One
International equities:					
Developed markets	28,224	42,445	70,669	Daily - Monthly	One - Thirty
Emerging markets	10,811	—	10,811	Daily	One
Real estate	—	7,553	7,553	Monthly	Sixteen
Fixed income:					
U.S. Treasuries	40,536	—	40,536	Daily	One
U.S. Government and agency	—	1,406	1,406	Daily	One
Domestic bonds	13,954	91,099	105,053	Daily	One
Short-term investments	14,965	—	14,965	Daily	One
Fidelity mutual funds	64,430	—	64,430	Daily	One
Total	\$ 242,175	\$ 142,503	\$ 384,678		
	2019			Redemption frequency	Days' notice
	Level 1	Level 2	Total		
U.S. equities:					
Mid-cap value	\$ 13,448	\$ —	\$ 13,448	Daily	One
Large cap value	11,000	—	11,000	Daily	One
Large cap growth	41,929	—	41,929	Daily	One
International equities:					
Developed markets	31,335	37,725	69,060	Daily - Monthly	One - Thirty
Emerging markets	10,900	—	10,900	Daily	One
Commodities:					
Energy	2,957	—	2,957	Daily	One
Various	4,554	—	4,554	Daily	One
Real estate	—	6,225	6,225	Monthly	Sixteen
Fixed income:					
U.S. Treasuries	63,373	—	63,373	Daily	One
U.S. Government and agency	—	801	801	Daily	One
Domestic bonds	—	83,111	83,111	Daily	One
Short-term investments	6,675	—	6,675	Daily	One
Fidelity mutual funds	55,912	—	55,912	Daily	One
Total	\$ 242,083	\$ 127,862	\$ 369,945		

## LIFESPAN CORPORATION AND AFFILIATES

## Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands)

## (11) Pension and Other Postretirement Benefits (continued)

*Fair Value (continued)*

The following tables reconcile Plan investments in certain funds measured at NAV or its equivalent as a practical expedient to the total fair value of Plan assets as of September 30, 2020 and 2019:

	<u>2020</u>	<u>Redemption frequency</u>	<u>Days' notice</u>
U.S. equities:			
Large cap growth	\$ 26,154	Monthly	Fourteen
Marketable alternatives:			
Multiple strategies	12,621	Quarterly	Sixty - Ninety
Long-short equity	8,809	Monthly	Sixty
Absolute return strategies	47,533	Monthly - Annually	Sixty - Ninety
Absolute return strategies	442	Illiquid	N/A
International equities:			
Developed markets	17,360	Monthly	Ten
Emerging markets	8,839	Monthly	Twenty
Venture capital	757	Illiquid	N/A
Total Plan investments measured at NAV	<u>122,515</u>		
All other Plan investments	<u>384,678</u>		
Total fair value of Plan assets	<u>\$ 507,193</u>		
	<u>2019</u>	<u>Redemption frequency</u>	<u>Days' notice</u>
U.S. equities:			
Large cap growth	\$ 21,918	Monthly	Fourteen
Marketable alternatives:			
Multiple strategies	10,438	Quarterly	Sixty - Ninety
Long-short equity	6,101	Monthly	Sixty
Absolute return strategies	60,405	Semi-monthly - Annually	Five - Ninety
Absolute return strategies	130	Illiquid	N/A
International equities:			
Developed markets	18,839	Monthly	Ten
Emerging markets	11,398	Monthly - Quarterly	Ten - Twenty
Venture capital	756	Illiquid	N/A
Total Plan investments measured at NAV	<u>129,985</u>		
All other Plan investments	<u>369,945</u>		
Total fair value of Plan assets	<u>\$ 499,930</u>		

**LIFESPAN CORPORATION AND AFFILIATES**

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands)

**(11) Pension and Other Postretirement Benefits (continued)**

***Expected Cash Flows***

Information about the expected cash flows for the Plan is as follows:

Employer contributions:		
2021 (required)	\$	62,267
Expected benefit payments:		
2021		90,152
2022		46,711
2023		39,113
2024		38,152
2025		39,804
2026 through 2030		192,945

Management evaluates its Plan assumptions annually and the expected employer contributions in 2021 could increase.

***Other Postretirement Benefits***

In addition to providing pension benefits, RIH and TMH provide certain health care and life insurance benefits to retired employees. As of December 31, 2003, health care and life insurance postretirement benefits were eliminated for all active RIH employees with fewer than fifteen years of consecutive service. As of December 31, 2004, health care postretirement benefits were eliminated for all active TMH employees with fewer than fifteen years of consecutive service.

Lifespan recognizes in its consolidated statements of financial position an asset for a benefit plan's overfunded status or a liability for a plan's underfunded status and recognizes changes in that funded status in the year in which the changes occur through changes in net assets without donor restrictions. The funded-status amount is measured as the difference between the fair value of plan assets and the benefit obligation including all actuarial gains and losses and prior service cost. Based on September 30, 2020 and 2019 funded-status amounts for the postretirement benefit plan, Lifespan recorded decreases in net assets without donor restrictions of \$560 in 2020 and \$1,853 in 2019, respectively. Approximately \$168 of net actuarial gain will be amortized from net assets without donor restrictions into net periodic postretirement benefit cost in 2021.

## LIFESPAN CORPORATION AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands)

**(11) Pension and Other Postretirement Benefits (continued)*****Postretirement Benefit Obligations***

	<u>2020</u>	<u>2019</u>
Change in accumulated postretirement benefit obligation:		
Accumulated postretirement benefit obligation at beginning of year	\$ 13,731	\$ 13,146
Service cost	89	110
Interest cost	335	490
Actuarial loss	525	1,253
Benefits paid	<u>(1,325)</u>	<u>(1,268)</u>
Accumulated postretirement benefit obligation at end of year	<u>\$ 13,355</u>	<u>\$ 13,731</u>

***Postretirement Funded Status***

Lifespan has never funded its other postretirement benefit obligations. The funded status of the postretirement benefit plan, reconciled to the amount reported in the consolidated statements of financial position, follows:

	<u>2020</u>	<u>2019</u>
Accumulated postretirement benefit obligation	\$ <u>13,355</u>	\$ <u>13,731</u>
Funded status	<u>\$ (13,355)</u>	<u>\$ (13,731)</u>
Accrued postretirement benefit cost recognized in the consolidated statements of financial position	<u>\$ 13,355</u>	<u>\$ 13,731</u>

## LIFESPAN CORPORATION AND AFFILIATES

## Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands)

**(11) Pension and Other Postretirement Benefits (continued)**

Amounts recognized in the consolidated statements of financial position at September 30, 2020 and 2019 consist of:

	<u>2020</u>	<u>2019</u>
Accrued postretirement benefit cost:		
Current (included in accrued employee benefits and compensation)	\$ 1,347	\$ 1,383
Noncurrent (included in other liabilities)	<u>12,008</u>	<u>12,348</u>
Total accrued postretirement benefit cost	<u>\$ 13,355</u>	<u>\$ 13,731</u>

	<u>2020</u>	<u>2019</u>
Accumulated net actuarial gain not yet recognized as a component of net periodic postretirement benefit cost	\$ 1,784	\$ 2,600
Accumulated net periodic postretirement benefit cost	<u>(15,139)</u>	<u>(16,331)</u>
Net amount recognized	<u>\$ (13,355)</u>	<u>\$ (13,731)</u>

	<u>2020</u>	<u>2019</u>
Sources of change in net assets without donor restrictions:		
Net loss arising during the year	\$ (269)	\$ (1,253)
Amortizations:		
Net actuarial gain	<u>(291)</u>	<u>(600)</u>
Total net assets without donor restrictions loss recognized during the year	<u>\$ (560)</u>	<u>\$ (1,853)</u>

**Net Periodic Postretirement Benefit Cost**

Components of net periodic postretirement benefit cost are as follows for the years ended September 30:

	<u>2020</u>	<u>2019</u>
Service cost	\$ 89	\$ 110
Interest cost	335	490
Amortization of net actuarial gain	<u>(291)</u>	<u>(600)</u>
Net periodic postretirement benefit cost	<u>\$ 133</u>	<u>\$ —</u>

## LIFESPAN CORPORATION AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands)

**(11) Pension and Other Postretirement Benefits (continued)****Net Periodic Postretirement Benefit Cost (continued)**

The following weighted average assumptions were used by the plan's actuary to determine net periodic postretirement benefit cost and benefit obligations:

	<u>2020</u>	<u>2019</u>
Discount rate for benefit obligations	2.17%	2.91%
Discount rate for net periodic postretirement benefit cost	2.91%	4.18%

**Assumed Health Care Cost Trend Rates at September 30:**

	<u>2020</u>	<u>2019</u>
Health care cost trend rate assumed for next year	5.50%	5.78%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	4.50%	4.50%
Year that the rate reaches the ultimate trend rate	2038	2038

Assumed health care cost trend rates have a significant effect on the amounts reported. A one-percentage-point change in assumed health care cost trend rates would have the following effects as of September 30, 2020:

	<u>One-Percentage- Point Increase</u>	<u>One-Percentage- Point Decrease</u>
Effect on total of service cost and interest cost	\$ 30	\$ (27)
Effect on accumulated postretirement benefit obligation	836	(739)

**Expected Cash Flows**

Information about the expected cash flows for the postretirement benefit plan follows:

Expected benefit payments:	
2021	\$ 1,347
2022	1,383
2023	1,330
2024	1,249
2025	1,167
2026 through 2030	4,626

**LIFESPAN CORPORATION AND AFFILIATES**

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands)

**(12) Estimated Self-Insurance Costs*****Professional Liability/Medical Malpractice and General Liability***

Professional liability/medical malpractice coverage for RIH, TMH, Bradley, NH, Gateway, and all other Lifespan affiliates is supplied on a claims-made basis by RISE, Lifespan's affiliated captive insurance company, which underwrites the medical malpractice risk of Lifespan (including a contractual commitment to indemnify LPG clinicians and certain eligible non-employed physicians). The adequacy of the coverage provided, and the funding levels, are reviewed annually by independent actuaries. The professional liability/medical malpractice insurance provided by RISE has liability limits of \$8,000 per claim with no annual aggregate. In addition, \$60,000 of commercial umbrella excess insurance has been obtained by Lifespan to increase the professional liability limits to \$68,000 per claim. Lifespan contracts with various highly rated insurance carriers to mitigate the excess coverage risk. Also covered under the RISE professional liability/medical malpractice policy through contractual indemnification agreements are 720 LPG clinicians and 711 non-employed physicians. Each of these clinicians and physicians is provided with a \$2,000 indemnification per claim and a \$6,000 annual indemnification aggregate.

General liability coverage is provided to RIH, TMH, Bradley, NH, Gateway, LPG, and all other Lifespan affiliates by RISE amounting to \$2,000 per claim and \$4,000 in the annual aggregate. In addition, commercial excess liability insurance has been obtained by Lifespan to increase the aggregate general liability coverage to \$78,000.

Lifespan has recorded a provision for estimated losses on professional liability/medical malpractice and general liability incidents, based on actuarial studies and its own experience.

***Workers' Compensation***

Lifespan has recorded a provision for workers' compensation losses, based on actuarial studies and its own experience. The actuarial studies include an assumed inflation rate of 4%. The amounts accrued for estimated workers' compensation self-insurance costs at September 30, 2020 and 2019 have been discounted at 4%. Lifespan has a standby letter of credit of \$12,000 through July 31, 2021 supporting the estimated unpaid liability.

**LIFESPAN CORPORATION AND AFFILIATES**

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands)

**(13) Medicare Cost Reports and Other Third-Party Settlement Estimates**

Medicare cost reports filed annually with The Centers for Medicare and Medicaid Services (CMS) are subject to audit prior to final settlement. The 2020 Medicare cost reports have not been filed and, therefore, are not settled.

In addition, the following Medicare cost reports have not been settled:

	<u>RIH</u>	<u>TMH</u>	<u>NH</u>
2019	X	X	X
2018	X	X	
2017	X	X	
2016	X		

Regulations in effect require annual settlements based upon cost reports filed by RIH, TMH, and NH. These settlements are estimated and recorded in the accompanying consolidated financial statements. Changes in these estimates are reflected in the consolidated financial statements in the year in which they occur. Patient service revenue in the accompanying consolidated statements of operations and changes in net assets was increased by \$1,153 in 2020 and decreased by \$58 in 2019 to reflect changes in the estimated settlements for certain prior years.

**(14) Income Tax Status**

Lifespan Corp. and substantially all its affiliates are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and are exempt from Federal income taxes pursuant to Section 501(a) of the Code. RISE is a Bermuda corporation not subject to taxes. MSO, LRS, and VNA Technicare, Inc. (d/b/a Lifespan Home Medical) are taxable corporations.

Lifespan recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Recognized income tax positions are measured at the largest amount of benefit that is greater than fifty percent likely to be realized upon settlement. Changes in measurement are reflected in the period in which the change in judgment occurs. Lifespan did not recognize the effect of any income tax positions in either 2020 or 2019.

**LIFESPAN CORPORATION AND AFFILIATES**

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands)

**(15) Long-Term Debt**

Long-term debt consists of the following at September 30:

	<u>2020</u>	<u>2019</u>
Hospital Financing Revenue fixed rate serial and term bonds due May 15, 2021 through 2039 in annual amounts ranging from \$6,540 to \$42,920 at rates ranging from 4% to 5% (2016 Series – Lifespan Obligated Group)	\$ 212,086	\$ 225,610
Private placement debt due July 1, 2021 through 2029 in annual amounts ranging from \$1,297 to \$1,629 at a fixed rate of 2.85% (2014 Series – NH)	13,128	14,390
Master lease and loan and security agreement due December 14, 2019 through June 14, 2020 in semiannual amounts of \$3,735 and \$3,769 at 1.66% (the 2013 Financing)	—	7,504
Other long-term debt	6,217	6,433
Unamortized premium – 2016 Series	<u>27,746</u>	<u>31,053</u>
	259,177	284,990
Less current portion	<u>15,726</u>	<u>22,506</u>
Long-term debt, net of current portion	<u>\$ 243,451</u>	<u>\$ 262,484</u>

On August 11, 2016, the Rhode Island Health and Educational Building Corporation (RIHEBC) issued, on behalf of the Lifespan Obligated Group (OG), which consists of RIH, TMH, Bradley, RIHF, and TMHF, \$265,470 of tax-exempt fixed rate serial and term bonds (the 2016 Bonds) due May 15, 2017 through 2039 in annual amounts ranging from \$6,540 to \$42,920 at coupon rates ranging from 4% to 5%, with an effective rate of approximately 3.15%. The purpose of the 2016 Bonds was to refund \$49,450 and \$129,185 of the OG's 1996 Bonds and 2006A Bonds, respectively, and advance refund \$114,985 of the OG's 2009A Bonds. These 2016 Hospital Financing Revenue Refunding Bonds are secured by a pledge of the gross receipts of RIH, TMH, and Bradley (the Obligated Group Hospitals) and by mortgage liens on RIH's and TMH's real property and all buildings, structures, and improvements thereon. The OG is jointly and severally liable for repayment of the 2016 Bonds. Under the terms of the 2016 Bonds, the Obligated Group Hospitals are required to satisfy certain measures of financial performance for as long as the bonds are outstanding.

On June 14, 2013, RIH, TMH, and Bradley entered into a tax-exempt \$50,000 master lease and loan and security agreement (the 2013 Financing) with a seven-year term, to partially fund the capital costs associated with Lifespan's multi-year information systems conversion project. The 2013 Financing was secured by a priority lien and security interest on the equipment (excluding intellectual property), goods, and other property financed with the proceeds of the 2013 Financing. RIH, TMH, and Bradley were jointly and severally liable

**LIFESPAN CORPORATION AND AFFILIATES**

Notes to Consolidated Financial Statements

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(In thousands)

for repayment of the 2013 Financing. NH indirectly participated in the 2013 Financing via an intercompany payable of \$4,500 to RIH.

**(15) Long-Term Debt (continued)**

On July 8, 2008, the Board of Directors of Lifespan Corp., acting as the sole member of Bradley, adopted a resolution authorizing Bradley to become a member of the OG. The Bradley Board of Trustees, as well as the Boards of RIH and TMH, also authorized related resolutions.

On March 30, 2009, RIHEBC issued, on behalf of the OG, \$114,985 of tax-exempt bonds (the 2009A Bonds) for the purposes of financing the acquisition, construction, renovation, expansion, and equipping of certain hospital and related health care facilities owned and operated by the Obligated Group Hospitals, including the expansion, construction, renovation, equipping, and furnishing of a two-story addition to Bradley's then-existing building and the renovation of vacated space in that existing building.

On February 14, 2006, RIHEBC issued, on behalf of the OG, which consisted of RIH and TMH, \$192,135 of tax-exempt bonds (the 2006A Bonds) to refund \$123,405 and \$65,315 of the OG's 1996 Bonds and 2002 Bonds, respectively. On September 12, 2006, the Board of Directors of Lifespan Corp., acting as the sole member of both The Miriam Hospital Foundation and Rhode Island Hospital Foundation (the Foundations), adopted resolutions authorizing the Foundations to become members of the OG. The Boards of Trustees of each of the Foundations, as well as the then-existing members of the OG, RIH and TMH, previously authorized related resolutions. The effective date for such change was October 1, 2006.

On December 1, 1996, RIHEBC issued, on behalf of the OG, \$214,585 of tax-exempt bonds (the 1996 Bonds), to finance portions of Lifespan's, RIH's, and TMH's 1996, 1997, 1998, and 1999 expenditures for routine capital equipment and facility renovation/replacement, and to advance refund \$8,455 of TMH's 1989 Series A bonds, \$1,900 of TMH's 1992 Series A bonds, and \$10,065 of TMH's 1992 Series B bonds.

On February 1, 1999, RIHEBC issued, on behalf of NH, \$30,000 of tax-exempt bonds (the 1999 Bonds) to finance the acquisition, construction, renovation, and equipping of various NH facilities. On November 5, 2014, RIHEBC issued, on behalf of NH, \$20,390 of fixed rate 2.85% tax-exempt bonds (the 2014 Bonds) in a private placement for the advance refunding of \$20,275 of the 1999 Bonds. A total of \$20,390 of the net proceeds of the 2014 bond issue and \$343 of the refunded bonds' unspent debt service funds was deposited into a trust in connection with this refunding. The 2014 Bonds are secured by a pledge of the gross receipts of NH. Payment of the principal and interest on the 2014 Bonds when due is guaranteed by Newport Hospital Foundation, Inc. Under the terms of the 2014 Bonds, NH is required to satisfy certain measures of financial performance for as long as the bonds are outstanding.

Lifespan's aggregate maturities of long-term debt for the five fiscal years ending in September 2025 are as follows: 2021, \$15,726; 2022, \$16,478; 2023, \$17,241; 2024, \$17,858; and 2025, \$18,935.

**LIFESPAN CORPORATION AND AFFILIATES**

Notes to Consolidated Financial Statements

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(In thousands)

**(16) Revolving Credit Loan Payable**

The members of the Lifespan Obligated Group (OG) entered into a credit agreement, dated April 22, 2015 and most recently amended April 16, 2020, with Citizens Bank, N.A. for a line of credit facility up to a maximum principal amount of \$20,000 to finance working capital requirements. Any principal outstanding bears interest per annum at 1.5% above the LIBOR Advantage rate. Interest is payable monthly, and all outstanding principal and any accrued and unpaid interest would be due on the maturity date of April 15, 2021. At September 30, 2020, there was no principal outstanding under the facility. The OG is required to comply with various affirmative and negative covenants as well as maintain certain financial targets and ratios during the term of the line of credit.

**(17) Net Assets with Donor Restrictions**

Net assets with donor restrictions at September 30 are available for the following purposes:

	<u>2020</u>	<u>2019</u>
General health care service activities	\$ 460,258	\$ 434,370
Property and equipment	49,025	47,283
Research	<u>94,205</u>	<u>82,863</u>
Total	<u>\$ 603,488</u>	<u>\$ 564,516</u>

**(18) Leases**

Lifespan leases building space and equipment under various noncancelable operating lease agreements. Future minimum lease payments, by year and in the aggregate, under noncancelable operating leases with terms of one year or more consist of the following at September 30, 2020:

	<u>Amount</u>
Year ending September 30:	
2021	\$ 33,762
2022	27,431
2023	23,142
2024	19,406
2025	16,398
Thereafter	<u>34,062</u>
Total minimum lease payments	<u>\$ 154,201</u>

Rental expense, including rentals under leases with terms of less than one year, for the years ended September 30, 2020 and 2019 was \$36,251 and \$32,910, respectively.

**LIFESPAN CORPORATION AND AFFILIATES**

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands)

**(19) Concentrations of Credit Risk**

Lifespan maintains its cash accounts at various financial institutions. Lifespan has not experienced any losses in such accounts and evaluates the credit worthiness of the financial institutions with which it conducts business.

Financial instruments which potentially subject Lifespan to concentrations of credit risk consist primarily of accounts receivable and certain investments. The risk associated with short-term investments is mitigated by the fact that these investments are placed with what management believes are high credit quality financial institutions. Investments, which include government and agency obligations, stocks, and corporate bonds, are not concentrated in any corporation, industry, or geographical area.

Lifespan receives a significant portion of its payments for services rendered from a limited number of government and commercial third-party payors, including Medicare, Blue Cross, Medicaid, and various managed care entities. Lifespan has not historically incurred any significant concentrated credit losses in the normal course of business.

**(20) Malpractice and Other Litigation**

Certain Lifespan hospitals and/or their indemnified physicians have been named as defendants in a number of pending actions seeking damages for alleged medical malpractice liability. Management believes that any liability and legal defense costs resulting from these actions will be within the limits of each hospital's malpractice insurance coverage provided by RISE and/or commercial excess carriers. Lifespan is involved in a number of miscellaneous suits and general liability suits arising in the course of business. After consultation with legal counsel, management estimates that any outstanding matters will be resolved without material adverse effect on Lifespan's future financial position or results of operations.

**(21) License Fees**

In 2020 and 2019, the State of Rhode Island assessed a license fee to all Rhode Island hospitals, based on each hospital's 2018 and 2017 net patient service revenue, respectively, as defined. The Hospitals' (RIH, TMH, and NH) license fee expense was \$108,018 in 2020 and \$102,100 in 2019.

**LIFESPAN CORPORATION AND AFFILIATES**

## Notes to Consolidated Financial Statements

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(In thousands)

**(22) Functional Expenses**

Lifespan provides general health care services to residents within its geographic location. The consolidated statements of operations and changes in net assets present the expenses related to providing these services by natural classification. Lifespan also summarizes its operating expenses by functional classification.

Operating expenses by nature and function are summarized as follows for the years ended September 30, 2020 and 2019:

	<b>2020</b>			
	<b>Health Care Services</b>	<b>Research</b>	<b>General and Administrative</b>	<b>Total</b>
Compensation and benefits	\$ 1,239,051	\$ 58,634	\$ 157,897	\$ 1,455,582
Supplies and other expenses	529,577	51,015	53,445	634,037
Purchased services	134,309	4,583	18,820	157,712
Depreciation and amortization	78,927	3,644	8,981	91,552
Interest	8,071	-	161	8,232
License fees	108,018	-	-	108,018
Restructuring costs	-	-	9,862	9,862
	<u>\$ 2,097,953</u>	<u>\$ 117,876</u>	<u>\$ 249,166</u>	<u>\$ 2,464,995</u>

	<b>2019</b>			
	<b>Health Care Services</b>	<b>Research</b>	<b>General and Administrative</b>	<b>Total</b>
Compensation and benefits	\$ 1,234,009	\$ 56,118	\$ 153,579	\$ 1,443,706
Supplies and other expenses	515,279	47,351	51,834	614,464
Purchased services	138,549	4,396	16,590	159,535
Depreciation and amortization	76,924	3,462	9,108	89,494
Interest	8,701	-	178	8,879
License fees	102,100	-	-	102,100
	<u>\$ 2,075,562</u>	<u>\$ 111,327</u>	<u>\$ 231,289</u>	<u>\$ 2,418,178</u>

**LIFESPAN CORPORATION AND AFFILIATES**

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands)

**(23) Restructuring Costs**

In December 2019, Lifespan announced a VERP (see note 11 on page 38), which was designed to provide salary and benefits continuation for eligible employees who wished to retire. The costs of this program in 2020 amounted to \$8,004 and are included in restructuring costs in the consolidated statement of operations and changes in net assets.

Restructuring costs also consist of \$1,858 in non-recurring charges in the form of severance costs associated with certain permanent workforce reductions.

**(24) Promises to Give**

Included in contributions receivable are the following unconditional promises to give:

	<u>2020</u>	<u>2019</u>
Capital campaigns	\$ 9,608	\$ 10,867
Other restricted	<u>3,729</u>	<u>4,615</u>
Unconditional promises to give before unamortized discount and allowance for uncollectibles	13,337	15,482
Less: unamortized discount at rates ranging from 0.5% to 3.0%	<u>(331)</u>	<u>(505)</u>
Subtotal	13,006	14,977
Less: allowance for uncollectibles	<u>(301)</u>	<u>(300)</u>
Net unconditional promises to give	<u>\$ 12,705</u>	<u>\$ 14,677</u>
Amounts due in:		
Less than one year	\$ 5,662	\$ 5,304
One to five years	6,998	9,326
More than five years	<u>45</u>	<u>47</u>
Total	<u>\$ 12,705</u>	<u>\$ 14,677</u>

**LIFESPAN CORPORATION AND AFFILIATES**

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands)

**(25) Merger with Care New England Health System**

On September 8, 2020, Lifespan Corporation signed a letter of intent to merge with Care New England Health System (CNE). The resulting combination would create a Rhode Island-based nonprofit academic health system affiliated with Brown University (Brown). The new system would include seven hospitals along with a visiting nurse agency and two community-based behavioral health organizations, offering a full complement of specialty services, including women's and children's services and behavioral health, and would provide research and medical education. On February 23, 2021, CNE and Lifespan signed a definitive agreement to merge. CNE and Lifespan have also agreed that the newly merged entity will then enter into an Academic Affiliation Agreement with Brown's Warren Alpert Medical School. The merger is subject to the approval of various state and federal agencies. Lifespan and CNE anticipate submitting the required applications within the next few months.

**(26) Affiliation with Coastal Medical, Inc.**

On February 6, 2020, Lifespan Corporation signed a nonbinding letter of intent to pursue an asset acquisition of Coastal Medical, Inc., a Rhode Island independent primary care provider, together with certain of its related healthcare affiliates and real property. The due diligence review has been completed and the parties executed an asset purchase agreement on January 28, 2021.

LIFESPAN CORPORATION AND AFFILIATES  
Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2020

Federal Grantor/Pass-through Grantor	Federal CFDA Number	Direct Award or Pass-through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<b>Research and Development Cluster:</b>				
Department of Defense:				
Military Medical Research and Development	12.420	Direct	\$ 269,314	\$ 667,021
Passed Through:				
American Burn Association	12.420	W81XWH-11-1-0835	—	113
Colorado State University	12.420	W81XWH1810458	—	63,798
Johns Hopkins University	12.420	W81XWH-17-2-0032	—	2,000
Massachusetts General Hospital	12.420	W81XWH-17-2-0016	—	249,338
Ocean State Research Institute, Inc.	12.420	W81X-17-0619	—	78,445
University of Pittsburgh	12.420	W81XWH-17-2-0073	—	2,748
COVID-19- Johns Hopkins University	12.420	W911QY-20-9-0012	—	14,307
COVID-19- Johns Hopkins University	12.420	W911QY-20-9-0012	—	14,696
Uniformed Services University Medical Research Projects				
Passed Through:				
Henry M. Jackson Foundation	12.750	HU0001-14-1-0061	—	84,031
Henry M. Jackson Foundation	12.750	HU0001-1-92-0031	—	16,583
Research and Technology Development				
Passed Through:				
Brown University	12.910	D19AC00015	—	361,234
Department of Justice:				
Passed Through:				
Amos House	16.182	USDOJ 2018-CY-BX-0010	—	66,274
Crime Victim Assistance				
Passed Through:				
State of Rhode Island	16.575	2019-V2-GX56	—	60,073
Department of Transportation:				
National Priority Safety Programs				
Passed Through:				
Rhode Island Department of Transportation	20.616	NHTSAM2CP601	—	70,871
National Science Foundation:				
Office of Science and International Engineering				
Passed Through:				
University of Rhode Island	47.079	NSF: OIA-1539068	—	769
Department of Veterans Affairs:				
Passed Through:				
Providence VA Medical Center	64.999	1101HX002534	—	2,167
Providence VA Medical Center	64.999	IPA OF 69	—	13,841
Department of Health and Human Services:				
Centers For Disease Control and Prevention	93.U01	Direct	—	3,978
Family Smoking Prevention and Tobacco Control Act Regulatory Research	93.077	Direct	—	201,781
Maternal and Child Health Federal Consolidated Programs	93.110	Direct	136,553	428,898
Emergency Medical Services for Children	93.127	Direct	126,032	415,624
Injury Prevention and Control Research and State and Community Based Programs	93.136	Direct	53,743	704,816
Research and Training in Complementary and Integrative Health	93.213	Direct	25,786	505,690
Research on Healthcare Costs, Quality and Outcomes	93.226	Direct	—	54,332
National Center on Sleep Disorders Research	93.233	Direct	213,320	516,517
Mental Health Research Grants	93.242	Direct	1,440,322	5,044,826
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	Direct	153,288	476,220
Alcohol Research Programs	93.273	Direct	383,642	1,473,151
Drug Abuse and Addiction Research Programs	93.279	Direct	627,208	3,143,450
Minority Health and Health Disparities Research	93.307	Direct	435,822	1,124,641
Trans-NIH Research Support	93.310	Direct	984,246	2,373,012
Packaging and Spreading Proven Pediatric Weight Management Interventions for Use by Low-Income Families	93.349	Direct	332,170	730,072
Nursing Research	93.361	Direct	114,716	202,932
Cancer Detection and Diagnosis Research	93.394	Direct	—	28,722
Cancer Treatment Research	93.395	Direct	—	(4,876)
Cancer Biology Research	93.396	Direct	47,993	553,934
Cardiovascular Diseases Research	93.837	Direct	862,061	7,623,025
Lung Diseases Research	93.838	Direct	188,374	1,139,528
Blood Diseases and Resources Research	93.839	Direct	—	(1,111)
Arthritis, Musculoskeletal and Skin Diseases Research	93.846	Direct	302,092	1,773,383
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	Direct	720,776	4,076,224
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	Direct	296,115	784,207
Allergy and Infectious Diseases Research	93.855	Direct	2,318,753	5,005,679
Biomedical Research and Research Training	93.859	Direct	2,632,917	8,913,026
Child Health and Human Development Extramural Research	93.865	Direct	631,877	2,741,069
Aging Research	93.866	Direct	239,641	1,190,353
COVID-19- Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	Direct	—	33,422
International Research and Research Training	93.989	Direct	18,819	144,730
Department of Health and Human Services:				
Passed Through:				
Boston Children's Hospital	93.080	5NU27DD001155	—	20,932
Duke Clinical Research Institute	93.103	U18FD006298	—	8,386
Progeria Research Foundation	93.103	U01FD006886	—	78,767
Icahn School of Medicine at Mount Sinai	93.110	6H30MC54048	—	21,375
Rhode Island Department of Health	93.110	U4CMC32319	—	360,094
Brown University	93.113	U01ES028184	—	73,025
Emory University School of Medicine	93.113	1R24ES028507	—	243,912
J. Craig Venter Institute	93.113	R01ES030227	—	446,959
Yale University	93.127	GR108045	—	51,767
Rhode Island Department of Health	93.136	1U17CE002740	—	(463)
Rhode Island Department of Health	93.136	NU17CE924967	—	21,264
Rhode Island Department of Health	93.136	PO 3597324	—	91,657
Brown University	93.143	P42ES013660	—	40,620
University of Massachusetts	93.145	U10H9294	—	(353)
University of Massachusetts	93.145	U10H9294	—	(102)
University of Massachusetts	93.145	U10H9294	—	28,503
University of Massachusetts	93.145	U10H9294	—	28,812
University of Massachusetts	93.145	U10H9294	—	40,865
Family Aids Center For Treatment	93.153	H12H4854	—	46,308
Brown University	93.213	1R34AT009886	—	25,449
Brown University	93.213	1R34AT010172	—	4,615

LIFESPAN CORPORATION AND AFFILIATES  
Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2020

Federal Grantor/Pass-through Grantor	Federal CFDA Number	Direct Award or Pass-through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Butler Hospital	93.213	1U01AT010863	\$ —	\$ 3,828
University of Massachusetts	93.213	R01AT008393	—	(7,355)
Boston Medical Center	93.226	R18 HS024021	—	(1,385)
Brown University	93.242	1R01MH112386	—	75,598
Brown University	93.242	1R01MH114843	—	8,137
Brown University	93.242	1R01MH117960	—	120,491
Brown University	93.242	1R34MH113484	—	22,458
Brown University	93.242	1R34MH114307	—	53,029
Brown University	93.242	1R34MH115457	—	49,895
Brown University	93.242	1R34MH117198	—	8,137
Brown University	93.242	5R25MH101076	—	16,006
Brown University	93.242	R01MH114891	—	55,085
Brown University	93.242	2R25MH101076	—	3,222
Brown University	93.242	5R21MH115514	—	28,341
Brown University	93.242	R01MH110449	—	17,172
Brown University	93.242	R01MH119919	—	23,584
Brown University	93.242	R25MH083620	—	9,436
Brown University	93.242	R34MH109371	—	3,919
Brown University	93.242	R34MH110369	—	9,811
Butler Hospital	93.242	R01MH112674	—	52,279
Butler Hospital	93.242	R01MH108610	—	14,320
George Mason University	93.242	1R01MH118680	—	20,929
Massachusetts General Hospital	93.242	7127592	—	7,305
Rhode Island Hospital	93.242	R01MH118269	—	28,009
University of Massachusetts Medical School	93.242	WA00504172	—	11,237
University of Michigan	93.242	1U01MH106660	—	2,366
University of North Carolina at Chapel Hill	93.242	U01 MH110925	—	124,584
University of North Carolina at Chapel Hill	93.242	U01 MH110925	—	52,749
Brown University	93.243	H79TI082570	—	87,625
Rhode Island Department of Health	93.243	1H79SM082108	—	47,330
Rhode Island Department of Health	93.270	NU51PS005090	—	25,493
Brown University	93.273	1P01 AA019072	—	(4)
Brown University	93.273	1R01AA025456	—	44,593
Brown University	93.273	1R01AA025456	—	30,866
Brown University	93.273	1R21AA026740	—	39,583
Brown University	93.273	1R21AA026740	—	23,450
Brown University	93.273	P01AA019072	—	58,093
Brown University	93.273	R34AA027195	—	30,073
Butler Hospital	93.273	R01AA023726	—	(1,496)
Georgia State University Research Foundation	93.273	5R34AA025691	—	18,406
Lehigh University	93.273	1R34AA026032	—	13,254
Medical University of South Carolina	93.273	1R34AA025691	—	(1,231)
Baystate Medical Center	93.279	5R01DA038082	—	85,534
Baystate Medical Center	93.279	5R01DA038082	—	99,251
Beacon Tech, Inc. at Marigold Health	93.279	R41 DA047837	—	121,803
Brigham & Women's Hospital	93.279	K24DA044858	—	34,825
Brigham & Women's Hospital	93.279	R34DA045544	—	129,628
Brigham & Women's Hospital	93.279	R34DA045544	—	22,226
Brigham & Women's Hospital	93.279	RDA047236A	—	31,216
Brown University	93.279	1R01DA045396	—	77,796
Brown University	93.279	1R34DA042247	—	26,332
Brown University	93.279	BR0WN 00001213	—	4,022
Brown University	93.279	K01DA039311	—	2,245
Brown University	93.279	R01DA047975	—	14,541
Brown University	93.279	U01DA045514	—	33,694
Brown University	93.279	U01DA050442	—	9,306
Live Inspired, LLC	93.279	1R41DA046268	—	47,654
McLean Hospital	93.279	3UG1DA015831	—	132,783
National Development and Research Institute	93.279	R01DA046653	—	1,072
University of Massachusetts	93.279	1R21DA046734	—	14,826
University of Texas	93.279	5R34DA041237	—	(1,490)
Yale University	93.279	R01DA041067	—	56,456
Brigham & Women's Hospital	93.307	R01MD011685	—	49,551
Brown University	93.307	T37MD008655	—	2,085
Nanode Therapeutics, Inc.	93.350	NANODE7137565	—	27,286
Dana Farber Cancer Institute	93.353	UM1C33080	—	263,227
Rhode Island Department of Health	93.354	NU90TP921979	—	224,420
COVID-19- Regeneron Pharmaceuticals	93.360	HHSO100201700020C	—	8,484
COVID-19- Regeneron Pharmaceuticals	93.360	HHSO100201700020C	—	132
COVID-19- Regeneron Pharmaceuticals	93.360	PO# 797253	—	21,004
Brown University	93.361	R01NR017098	—	14,047
Butler Hospital	93.361	R01NR015977	—	122,256
Yale University	93.361	1R21NR016352	—	688
Johns Hopkins University	93.365	U1EMC27864	—	18,692
Brown University	93.393	R21C43906	—	33,202
Albert Einstein College of Medicine	93.394	1R01C18429	—	44,823
American College of Radiology	93.394	U10C80820	—	5,965
Brown University	93.394	1R21C24609	—	9,338
Brown University	93.394	2R01C59954	—	16,091
St. Joseph Hospital	93.394	R01C21938	—	30,790
Children's Hospital of Philadelphia	93.395	U10C80886	—	7,489
Oregon Health Sciences University	93.395	5U01C80888	—	(1,246)
Oregon Health Sciences University	93.395	U10C80888	—	15,005
Indiana University	93.397	U54C90151	—	2,512
Brown University	93.398	1R01C01262	—	19,069
National Association of County & City Health Officials	93.421	NU380TOO0306	—	72,359
Rhode Island Department of Human Services	93.575	G2001RICDD	—	57,064
American College of Emergency Physicians	93.639	IL1CMS331479	—	10,707
Brigham & Women's Hospital	93.837	5U01HL101422	—	2,126
Brown University	93.837	1R01HL135200	—	22,458
Brown University	93.837	R01HL135091	—	34,589
Hennepin Healthcare Research Institute	93.837	1R01HL136327	—	60,253
Indiana University	93.837	R01HL136603	—	48,057

LIFESPAN CORPORATION AND AFFILIATES  
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Federal Grantor/Pass-through Grantor	Federal CFDA Number	Direct Award or Pass-through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Massachusetts General Hospital	93.837	U01HL123336	\$ —	\$ 2,668
Massachusetts General Hospital	93.837	R01HL137562	—	9,663
Mayo Clinic Rochester	93.837	5U01HL128606	—	24,714
Mayo Clinic Rochester	93.837	5U01HL128606	—	14,371
Ocean State Research Institute, Inc.	93.837	R01HL139795	—	30,925
Ohio State University	93.837	R01HL142588	—	71,673
University of Minnesota	93.837	N007373301	—	15,106
University of North Carolina at Chapel Hill	93.837	1R01HL12214401	—	2,704
University of Pennsylvania	93.837	R01HL134905	—	103,533
Ocean State Research Institute, Inc.	93.838	R01HL148727	—	56,413
University of Arizona	93.838	R25HL126140	—	8,735
University of Florida-Gainesville	93.838	1R01HL153119	—	13,426
University of Kansas School of Medicine	93.838	1R56HL141394	—	(608)
University of Virginia	93.838	1U01HL133708	—	49,151
Boston Medical Center	93.839	R01HL141774	—	96,027
Rutgers, The State University of New Jersey	93.839	U01HL133817	—	39,152
Rutgers, The State University of New Jersey	93.839	U01HL133817	—	21,490
University of Rochester Medical Center	93.839	R01HL125265	—	30,802
Boston Children's Hospital	93.846	R34AR066631	—	(5,968)
Cleveland Clinic Foundation	93.846	R01AR074131	—	174,619
Oxford Performance Materials, Inc.	93.846	1R41AR076303	—	125,376
University of Connecticut	93.846	7R01AR072027	—	100,348
University of Connecticut	93.846	7R01AR072027	—	6,450
Brigham & Women's Hospital	93.847	R01DK108438	—	609
Epivax	93.847	R43DK115365	—	(293)
Johns Hopkins University	93.847	1U34DK120051	—	17,917
National Institute of Diabetes and Digestive and Kidney Diseases	93.847	1R01DK112585	—	15,662
Sanford Research North	93.847	1R01DK112487	—	13,117
Temple University	93.847	1R01DK108661	—	54,769
University of Alabama at Tuscaloosa	93.847	R01DK122473	—	79,342
University of Connecticut	93.847	5R01DK111232	—	9,322
University of Tennessee	93.847	1R01DK121360	—	45,152
University of California, Los Angeles	93.847	R01DK10848	—	1,193
Virginia Commonwealth University	93.847	1R01DK103668	—	35,450
Cleveland Clinic Foundation	93.853	R01N08414	—	970
Mayo Clinic Rochester	93.853	5U01NS080168	—	26,781
Orlando Health, Inc.	93.853	R01NS057676	—	40,837
University of Cincinnati	93.853	5U01NS095869	—	4,353
University of Cincinnati	93.853	U01N00699	—	2,357
University of Pennsylvania	93.853	R01NS071867	—	14
University of Virginia	93.853	5U01NS088034	—	7,503
Virginia Tech	93.853	R01NS094410	—	49,756
Yale University	93.853	U24N07215	—	57,146
Aga Foundation	93.855	1R24AI118629	—	13,274
Boston University	93.855	U19AI096398	—	74
Brown University	93.855	1R01AI127699	—	75,165
Brown University	93.855	5R01AI108441	—	68,653
Brown University	93.855	R25AI140490	—	83,239
Brown University	93.855	R01AI120792	—	344,660
Icahn School of Medicine at Mount Sinai	93.855	5U01AI069911	—	3,542
Indiana University	93.855	R01AI120792	—	(99,376)
Indiana University	93.855	1R01AI144997	—	227,355
Johns Hopkins University	93.855	UM1068632	—	40,096
Johns Hopkins University	93.855	5P01AI083214	—	340,251
Massachusetts Eye and Ear Infirmary	93.855	P01AI083214	—	54,386
Massachusetts Eye and Ear Infirmary	93.855	R01AI123001	—	1,006
Massachusetts General Hospital	93.855	UM1AI069412	—	515,009
Oak Crest Institute of Science	93.855	1U19AI113048	—	245,333
University of California, Los Angeles	93.855	UM1AI068636	—	23,259
COVID-19- Case Western Reserve University	93.855	R01AI129709	—	20,514
COVID-19- University of California, Los Angeles	93.855	UM1AI068636	—	66,149
Advance Clinical Translational Research (Advance-CTR)	93.859	U54GM115677	—	204
Brown University	93.859	3U54GM115677	—	127,786
Brown University	93.859	5P20GM109035	—	17,706
Brown University	93.859	5U54GM115677	—	82
Brown University	93.859	5U54GM115677	—	(15,166)
Brown University	93.859	5U54GM115677	—	225,795
Brown University	93.859	5U54GM115677	—	14,776
Brown University	93.859	5U54GM115677	—	17,835
Brown University	93.859	5U54GM115677	—	37,896
Brown University	93.859	5U54GM115677	—	57,362
Brown University	93.859	P20GM130414	—	9,046
Brown University	93.859	U54GM115677	—	66,092
Brown University	93.859	U54GM115677	—	(269)
Brown University	93.859	U54GM115677	—	10,232
Brown University	93.859	U54GM115677	—	(1,752)
Brown University	93.859	U54GM115677	—	16,046
Brown University	93.859	U54GM115677	—	20,532
Brown University	93.859	U54GM115677	—	7,783
Ocean State Research Institute, Inc.	93.859	5P20GM103652	—	37,172
Ocean State Research Institute, Inc.	93.859	P20GM103652	—	(37)
Ocean State Research Institute, Inc.	93.859	P20GM103652	—	109,737
Ocean State Research Institute, Inc.	93.859	P20GM103652	—	74,811
Ocean State Research Institute, Inc.	93.859	P20GM103652	—	297,093
University of Rhode Island	93.859	P30GM103430	—	48,157
Women & Infants Hospital of Rhode Island	93.859	P20GM121298	—	21,410
Brown University	93.865	1R01HD092301	—	120,415
Brown University	93.865	R01HD086487	—	142,344
California Polytechnic State University	93.865	1R01HD084282	4,654	311,037
Columbia University	93.865	1R21HD086448	—	(207)
Eunice Kennedy Shriver National Institute of Child Health	93.865	2R01HD024455	—	411,185
Kent State University	93.865	1R21HD095099	—	28,791
Kent State University	93.865	1R21HD098450	—	19,896

LIFESPAN CORPORATION AND AFFILIATES  
Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2020

Federal Grantor/Pass-through Grantor	Federal CFDA Number	Direct Award or Pass-through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Northeastern University	93.865	1R01HD080780	\$ —	\$ 76,476
Northeastern University	93.865	1R01HD095932A	—	177,371
Northeastern University	93.865	R01HD080780	—	5,557
University of Arkansas	93.865	8U24OD024957	—	60,589
University of Michigan	93.865	R24 HD087149	—	37,402
University of North Carolina at Chapel Hill	93.865	SU24HD089880	—	41,945
Brown University	93.866	5R21AG059120	—	20,310
Brown University	93.866	1R21AG061632	—	28,146
Hebrew Rehabilitation Center – Boston	93.866	R37AG032982	—	46,401
Hebrew Senior Life – Hebrew Research Center	93.866	R24AG054259	—	4,356
University of Massachusetts	93.866	R01AG068450	—	2,315
University of Southern California	93.866	2U19AG024904	—	42,320
University of Southern California	93.866	R01AG053798	—	1,039
University of Southern California	93.866	U19AG010483	—	1,120
Wake Forest University	93.866	1R01AG058571	—	40,862
Rhode Island Department of Health	93.940	NU62PS924548	—	257,839
Brandeis University	93.959	08T1010023	—	5,266
Brown University	93.989	D43TW010565	—	12,989
Brown University	93.989	D43TW011317	—	40,030
Thundermist Health Associates	93.994	B04MC31515	—	43,194
Brown University	93.U01	HHSN2752015000031	—	41,635
Brown University	93.U01	ONC201 NIH ROI	—	22,435
Duke University Medical Center	93.U01	HHSN-2752018000031	—	4,233
<b>Research and Development Cluster total</b>			<b>13,560,234</b>	<b>64,940,357</b>
<b>Child Nutrition Cluster:</b>				
Department of Agriculture:				
Food and Nutrition Services				
Passed Through:				
Rhode Island Department of Education	10.553	1,205,620	—	16,410
Rhode Island Department of Education	10.555	1,205,620	—	35,711
Food and Nutrition Services – Gateway:				
Passed Through:				
Rhode Island Department of Education	10.555	Spon #28856	—	54,993
<b>Child Nutrition Cluster total</b>			<b>—</b>	<b>107,114</b>
<b>Other Federal Awards:</b>				
Department of Agriculture:				
Passed Through:				
Rhode Island Department of Education	10.582	1,205,620	—	3,361
Department of Defense:				
Military Medical Research and Development				
Passed Through:				
Johns Hopkins University	12.420	W81XWH-10-2-0134	—	4,862
Department of Health and Human Services:				
Administration for Children and Families				
Passed Through:				
Rhode Island Department of Human Services	93.575	G1601RICCDF	—	144,356
Rhode Island Department of Human Services	93.575	G1901RICCDF	—	15,621
Agency for Healthcare Research and Quality				
Passed Through:				
Brown University	93.226	HHS902012000121	—	80
COVID-19- Assistant Secretary for Preparedness and Response				
Passed Through:				
Hospital Association of Rhode Island	93.889	EPBH-HARI	—	26,615
Hospital Association of Rhode Island	93.889	NH-HARI	—	26,615
Hospital Association of Rhode Island	93.889	RIH-HARI	—	26,615
Hospital Association of Rhode Island	93.889	TMH-HARI	—	26,615
Biomedical Advance Research and Development Authority				
Passed Through:				
Summit (Oxford) Limited	93.360	HHSO100201700014C	—	7,077
Centers for Disease Control and Prevention				
Passed Through:				
Rhode Island Department of Health	93.070	1NEU1EH001375	—	7,219
International Medical Corps	93.136	NU2GGH002058	—	63,003
Rhode Island Department of Health	93.977	NH25PS005160	—	38,853
Maternal and Child Health Federal Consolidated Programs	93.110	Direct	—	200,088
Children's Hospitals Graduate Medical Education Payment Program	93.255	Direct	—	308,648
COVID-19- HRSA COVID-19 Claims Reimbursement for the Uninsured Program and the COVID-19 Coverage Assistance Fund	93.461	Direct	—	1,600,877
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	Direct	—	791,401
Health Resources and Services Administration				
Passed Through:				
Rhode Island Department of Health	93.870	PO 3293475	—	240,470
National Cancer Institute				
Passed Through:				
NRG Oncology Foundation	93.394	U10C80866	—	68,360
National Heart, Lung, and Blood Institute				
Passed Through:				
University of Minnesota	93.837	U01HL133818	—	483
Vivonics, Inc.	93.837	W81XWH-17-C-000	—	1,742
New York University School of Medicine	93.837	U01HL105907	—	2,561
Rhode Island Hospital	93.838	IU01HL138677	—	6,628
National Institute on Alcohol Abuse and Alcoholism				
Passed Through:				
Live Inspired, LLC	93.273	1R42AA026788	—	241,584
National Institute of Allergy and Infectious Diseases				
Passed Through:				
Duke University Medical Center	93.855	UM1AI104681	—	25,220
Women & Infants Hospital of Rhode Island	93.855	7127507	—	(187)
National Institute of Diabetes and Digestive and Kidney Diseases				
Passed Through:				
University of South Florida	93.847	7137003	—	8,213

LIFESPAN CORPORATION AND AFFILIATES

Schedule of Expenditures of Federal Awards

Year Ended September 30, 2020

Federal Grantor/Pass-through Grantor	Federal CFDA Number	Direct Award or Pass-through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
National Institute of Environmental Health Sciences				
Passed Through:				
New England Research Institutes, Inc.	93.113	U01HL107407	\$ —	\$ 1,331
National Institutes of Health				
Passed Through:				
Mission Metrics, LLC	93.U02	102179.004.001.001	—	40,970
Rhode Island College	93.U02	M054961-19	—	31,850
National Institute of Neurological Disorders and Stroke				
Passed Through:				
Mayo Clinic Jacksonville	93.853	5R01NS097876	—	26,999
University of Cincinnati	93.853	U01N06513	—	2,506
Substance Abuse and Mental Health Service Administration				
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	Direct	—	(86)
Passed Through:				
Rhode Island Department of Health	93.243	7127490	—	217,412
Rhode Island Department of Health	93.243	1H79SM062426	—	45,705
Department of the Treasury:				
COVID-19- Coronavirus Relief Fund				
Passed Through:				
State of Rhode Island	21.019	EPBH-CRF	—	1,184,000
State of Rhode Island	21.019	TMH-CRF	—	21,011,845
Department of Education – Gateway:				
Preschool Development Grants				
Passed Through:				
Rhode Island Department of Education	84.419	S419B150033	—	448,805
Department of Health and Human Services – Gateway:				
Administration for Children and Families				
Passed Through:				
State of Rhode Island	93.558	RIW 18-043	—	916,540
State of Rhode Island	93.667	BHDDH	—	166,722
Administration for Community Living				
Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	93.044	Direct	—	52,676
Substance Abuse and Mental Health Service Administration				
Passed Through:				
State of Rhode Island	93.243	H79SM080253	—	730,284
State of Rhode Island	93.243	RIDHS-SAMHSA	—	11,786
State of Rhode Island	93.788	H79T1081701	—	460,639
State of Rhode Island	93.788	H79T1081701	—	49,253
Department of Housing and Urban Development – Gateway:				
Community Development Block Grants				
Passed Through:				
City of Pawtucket, Rhode Island	14.218	CDBG grant award	—	5,000
City of Pawtucket, Rhode Island	14.218	Contract #699-39A	—	46,921
Mainstream Vouchers				
Passed Through:				
Department of Housing and Urban Development	14.879	HUD MAINSTREAM	—	582,090
Department of Justice – Gateway:				
Crime Victim Assistance				
Passed Through:				
Department of Justice	16.575	15-419-VOCA/15-420-VOCA	—	145,692
<b>Total Expenditures of Other Federal Awards</b>			—	30,065,920
<b>Total Expenditures of All Federal Awards</b>			<b>\$ 13,560,234</b>	<b>95,113,391</b>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**LIFESPAN CORPORATION AND AFFILIATES**  
Notes to Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2020

**(1) Definition of Reporting Entity**

The Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of all federal awards of Rhode Island Hospital (RIH), The Miriam Hospital (TMH), Emma Pendleton Bradley Hospital (EPBH), Gateway Healthcare, Inc. (Gateway), and Newport Hospital (NH), which are included in Lifespan Corporation and Affiliates (Lifespan). All federal awards received directly from federal agencies, as well as federal awards passed through other agencies, are included on the Schedule.

**(2) Summary of Significant Accounting Policies**

*Basis of Presentation*

The accompanying Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting.

**(3) Indirect Costs**

Indirect costs are charged to federal grants and contracts at federally approved predetermined rates for each applicable Lifespan affiliate. The predetermined rates for the year ended September 30, 2020 were 62.0%, 47.0%, and 31.4% for RIH, TMH, and EPBH, respectively. Indirect costs are included in reported federal expenditures. Lifespan has elected to not use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.