



## **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, 2021

**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, 2021

**Table of Contents**

Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	Exhibit I
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 <i>Government Auditing Standards</i>	Exhibit II
Schedule of Findings and Questioned Costs	Exhibit III
Consolidated Financial Statements and Supplementary Information – Schedule of Expenditures of Federal Awards	Exhibit IV



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

## Exhibit I

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

The Board of Directors  
Lifespan Corporation and Affiliates:

#### **Report on Compliance for Each 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 each of Lifespan's major federal programs for the year ended September 30, 2021. Lifespan's major federal programs are 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 each of Lifespan's major federal programs 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 each major federal program. However, our audit does not provide a legal determination of Lifespan's compliance.

#### *Opinion on Each 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 each of its major federal programs for the year ended September 30, 2021.

#### **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 each major federal program to determine the auditing procedures



## Exhibit I

that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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, 2021, and have issued our report thereon dated February 24, 2022, 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  
June 29, 2022



**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, 2021, 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 24, 2022, which included an emphasis of matter paragraph referring to the adoption of Accounting Standards Update No. 2016-02, *Leases* (Topic 842), on a modified retrospective basis.

**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 its 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 24, 2022

**LIFESPAN CORPORATION AND AFFILIATES**

Schedule of Findings and Questioned Costs

Year ended September 30, 2021

**(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: **None**
- 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 programs:
  - COVID-19- Coronavirus Relief Fund – 21.019
  - COVID-19- Provider Relief Funds – 93.498
- h. Dollar threshold used to distinguish between Type A and Type B programs: **\$3,000,000**
- 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, 2021 and 2020

(With Independent Auditors' Reports Thereon)



**LIFESPAN CORPORATION AND AFFILIATES**

Consolidated Financial Statements

September 30, 2021 and 2020

**Table of Contents**

	<b>Page(s)</b>
Independent Auditors' Report	IV-1 – 2
<b>Consolidated Financial Statements:</b>	
Consolidated Statements of Financial Position	IV-3
Consolidated Statements of Operations and Changes in Net Assets	IV-4–5
Consolidated Statements of Cash Flows	IV-6
Notes to Consolidated Financial Statements	IV-7–50



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**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 statements of financial position as of September 30, 2021 and 2020, 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, 2021 and 2020, 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 Matter*

As discussed in note 3(b) to the consolidated financial statements, during the year ended September 30, 2021 Lifespan adopted Financial Accounting Standards Board Accounting Standards Update No. 2016-02, *Leases* (Topic 842) on a modified retrospective basis. Our opinion is not modified with respect to this matter.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2022 on our consideration of Lifespan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 24, 2022

## LIFESPAN CORPORATION AND AFFILIATES

Consolidated Statements of Financial Position

September 30, 2021 and 2020

(In thousands)

<b>Assets</b>	<b>2021</b>	<b>2020</b>	<b>Liabilities and Net Assets</b>	<b>2021</b>	<b>2020</b>
Current assets:			Current liabilities:		
Cash and cash equivalents	\$ 374,827	\$ 413,587	Accounts payable	\$ 152,625	\$ 124,904
Patient accounts receivable	241,706	236,852	Accrued employee benefits and compensation	178,182	134,732
Other receivables	56,969	43,913	Other accrued expenses	22,303	68,062
Current portion of contributions receivable, net	8,295	5,662	Current portion of long-term debt	16,380	15,726
	<u>306,970</u>	<u>286,427</u>	Current portion of estimated third-party payor settlements	165,181	73,673
Total receivables			Current portion of estimated malpractice and other self-insurance costs	68,184	65,039
Assets limited as to use	53,794	50,288	Operating lease liabilities, current portion	21,599	—
Inventories	38,694	34,996			
Prepaid expenses and other current assets	23,361	19,630	Total current liabilities	<u>624,454</u>	<u>482,136</u>
	<u>797,646</u>	<u>804,928</u>	Long-term debt, net of current portion	420,426	243,451
Total current assets			Estimated third-party payor settlements, net of current portion	29,993	149,328
Assets limited as to use	1,692,101	1,274,735	Estimated malpractice self-insurance costs, net of current portion	142,466	113,092
Less amount required to meet current obligations	(53,794)	(50,288)	Accrued pension liability	171,793	259,161
Noncurrent assets limited as to use	<u>1,638,307</u>	<u>1,224,447</u>	Operating lease liabilities, non-current portion	89,288	—
			Other liabilities	97,268	90,153
Right-of-use assets, net - operating leases	109,039	—	Total liabilities	<u>1,575,688</u>	<u>1,337,321</u>
Property and equipment, net	822,390	821,005	Net assets:		
			Net assets without donor restrictions	1,180,584	950,323
Other assets:			Net assets with donor restrictions	729,346	603,488
Contributions receivable, net	8,523	7,043			
Other noncurrent assets	109,713	33,709	Total net assets	<u>1,909,930</u>	<u>1,553,811</u>
Total other assets	<u>118,236</u>	<u>40,752</u>			
			Total liabilities and net assets	<u>\$ 3,485,618</u>	<u>\$ 2,891,132</u>
Total assets	<u>\$ 3,485,618</u>	<u>\$ 2,891,132</u>			

See accompanying notes to consolidated financial statements.

**LIFESPAN CORPORATION AND AFFILIATES**

## Consolidated Statements of Operations and Changes in Net Assets

Years ended September 30, 2021 and 2020

(In thousands)

	<u>2021</u>	<u>2020</u>
Revenues and other support without donor restrictions:		
Patient service revenue	\$ 2,246,164	\$ 2,061,682
Other revenues	351,763	324,573
Endowment earnings contributed toward community benefit	16,442	15,970
Net assets released from restrictions used for operations	87,759	19,733
Net assets released from restrictions used for research	121,625	98,109
Total revenues and other support without donor restrictions	<u>2,823,753</u>	<u>2,520,067</u>
Operating expenses:		
Compensation and benefits	1,608,954	1,465,444
Supplies and other expenses	750,421	634,037
Purchased services	181,190	157,712
Depreciation and amortization	92,311	91,552
Interest	9,668	8,232
License fees	92,122	108,018
Total operating expenses	<u>2,734,666</u>	<u>2,464,995</u>
Income from operations	<u>89,087</u>	<u>55,072</u>
Nonoperating gains and losses:		
Gifts and bequests without donor restrictions	3,679	3,680
Income from board-designated investments	2,812	1,052
Net realized gains on board-designated investments	88,661	1,502
Non-service periodic pension costs	(17,243)	(32,462)
Fundraising expenses	(4,296)	(4,492)
Other nonoperating losses, net	(1,060)	(3,086)
Total nonoperating gains (losses), net	<u>72,553</u>	<u>(33,806)</u>
Excess of revenues over expenses	<u>\$ 161,640</u>	<u>\$ 21,266</u>

(Continued)

**LIFESPAN CORPORATION AND AFFILIATES**

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

Years ended September 30, 2021 and 2020

(In thousands)

	<u>2021</u>	<u>2020</u>
Changes in net assets without donor restrictions:		
Excess of revenues over expenses	\$ 161,640	\$ 21,266
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	53,741	6,812
Net change in unrealized gains on investments	—	20,136
Net assets released from restrictions used for purchase of property and equipment	14,913	15,179
Other (decreases) increases	<u>(33)</u>	<u>37</u>
Increase in net assets without donor restrictions	<u>230,261</u>	<u>63,430</u>
Changes in net assets with donor restrictions:		
Gifts, grants, and bequests	221,776	130,527
Income from restricted endowment and other restricted investments	8,361	2,973
Net assets released from restrictions	(224,297)	(133,021)
Net realized and unrealized gains on investments	122,927	41,101
Fundraising expenses	(1,645)	(1,303)
Grants to outside agencies	(669)	(811)
Other decreases	<u>(595)</u>	<u>(494)</u>
Increase in net assets with donor restrictions	<u>125,858</u>	<u>38,972</u>
Increase in net assets	356,119	102,402
Net assets, beginning of year	<u>1,553,811</u>	<u>1,451,409</u>
Net assets, end of year	<u>\$ 1,909,930</u>	<u>\$ 1,553,811</u>

See accompanying notes to consolidated financial statements.

## LIFESPAN CORPORATION AND AFFILIATES

## Consolidated Statements of Cash Flows

Years ended September 30, 2021 and 2020

(In thousands)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Increase in net assets	\$ 356,119	\$ 102,402
Adjustments to reconcile increase 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	(53,741)	(6,812)
Pension settlement charge	5,938	14,565
Net realized and unrealized gains on investments	(211,588)	(62,789)
Contributions restricted for purchase of property and equipment	(4,579)	(6,289)
Changes in operating right-of-use assets and lease liabilities, net	644	—
Depreciation and amortization	92,311	91,552
Provision for estimated self-insurance costs	223,923	157,203
Decrease in liabilities for estimated self-insurance costs resulting from claims paid	(191,404)	(147,491)
(Increase) decrease in patient accounts receivable	(4,854)	1,513
Increase (decrease) in accounts payable	27,721	(9,191)
Increase in accrued employee benefits and compensation	43,450	32,509
(Decrease) increase in estimated third-party payor settlements	(27,827)	184,854
(Decrease) increase in CARES Act deferred revenue	(56,400)	56,400
(Decrease) increase in all other current and noncurrent assets and liabilities, net	(73,267)	10,789
Net cash provided by operating activities	<u>126,446</u>	<u>419,215</u>
Cash flows from investing activities:		
Purchase of property and equipment	(93,696)	(72,039)
Acquisition of Coastal Medical, Inc.	(51,629)	—
Contributions restricted for purchase of property and equipment	4,579	6,289
Purchases of assets limited as to use	(1,328,426)	(1,017,223)
Proceeds from sales of assets limited as to use	1,124,343	1,007,572
Other net increases in assets limited as to use	(2,719)	(8,831)
Net cash used in investing activities	<u>(347,548)</u>	<u>(84,232)</u>
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	200,000	—
Payments on long-term debt	(19,271)	(22,506)
Payments on revolving credit loan payable	—	(20,000)
Net cash provided by (used in) financing activities	<u>180,729</u>	<u>(42,506)</u>
Net (decrease) increase in cash, cash equivalents, and restricted cash	(40,373)	292,477
Cash, cash equivalents, and restricted cash at:		
Beginning of year	<u>419,593</u>	<u>127,116</u>
End of year	<u>\$ 379,220</u>	<u>\$ 419,593</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 10,984</u>	<u>\$ 11,868</u>

See accompanying notes to consolidated financial statements.

**(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, a primary care group practice, a multispecialty group practice, 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) Coastal Medical Physicians, Inc. (CMPI) (April 25, 2021) 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)



**(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

**(1) Description of Organization (continued)*****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. (Coastal), a Rhode Island independent primary care provider, together with certain of its related healthcare affiliates and real property. The parties executed an asset purchase agreement on January 28, 2021, which became effective on April 25, 2021, whereby Lifespan acquired Coastal for approximately \$51,629 in cash consideration, recorded as goodwill within other noncurrent assets in the accompanying consolidated statement of financial position. In connection therewith, Lifespan became the sole member of Coastal Medical Physicians, Inc., a tax-exempt organization. Additionally, Rhode Island Hospital, a member of the Lifespan Obligated Group, acquired two Coastal medical office buildings for cash consideration of \$19,922.

**(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, 2021 and 2020 is summarized in the following table:

	<u>2021</u>	<u>2020</u>
Charity care	\$ 26,245	\$ 30,113
Medical education, net	85,339	73,667
Research	18,999	19,767
Subsidized health services	33,158	35,150
Unreimbursed Medicaid costs	90,096	113,634
Community health improvement services and community benefit operations	<u>1,798</u>	<u>1,795</u>
Total	<u>\$ 255,635</u>	<u>\$ 274,126</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 \$26,245 and \$30,113 in 2021 and 2020, respectively. Charges forgone, based on established rates, amounted to \$89,800 and \$100,503 in 2021 and 2020, respectively.

**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 \$85,339 and \$73,667 in 2021 and 2020, 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 55 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.

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

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.

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).

**(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 64% of all externally funded research at Lifespan. Researchers focus on basic research projects and 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.

**(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 24, 2022 and subsequent events have been evaluated through that date.

**(b) *Accounting Pronouncement Adopted***

On October 1, 2020, Lifespan adopted ASU 2016-02, *Leases (Topic 842)*, including all supplemental and/or clarifying ASUs, using the modified retrospective method. *Topic 842* requires that lessees recognize right-of-use assets and lease liabilities calculated based on the present value of lease payments for all lease agreements with terms that are greater than twelve months. The distinction in *Topic 842* between finance leases and operating leases determines how the leases are measured and presented in the consolidated statement of operations and changes in net assets and the consolidated statement of cash flows. Additional qualitative and quantitative disclosures are also required. See note 16.

Lifespan adopted the following practical expedients and elected the following accounting policies related to this standard:

- Elected not to reassess prior conclusions related to the identification, classification, and accounting for indirect costs for leases that commenced prior to October 1, 2020.
- Elected the short-term lease accounting policy allowing lessees not to recognize right-of-use assets and liabilities for leases with a term of twelve months or less.
- Elected not to separate lease and non-lease components for certain equipment lease asset categories.

**(3) Summary of Significant Accounting Policies (continued)****(b) Accounting Pronouncement Adopted (continued)**

Lifespan's portfolio of leases includes assets typically associated with real estate, clinical and diagnostic equipment, and administrative equipment. The lease portfolio consists of operating leases with noncancelable terms expiring at various dates through 2031. In conjunction with the adoption of *Topic 842*, Lifespan recognized operating lease right-of-use assets of \$120,522 and operating lease liabilities of \$121,832 as of October 1, 2020. As part of the affiliation with Coastal, Lifespan recognized operating lease right-of-use assets of \$9,207 and operating lease liabilities of \$9,101 as of April 25, 2021.

Lifespan determines if an arrangement is a lease or contains a lease at inception and performs the initial classification and measurement of its right-of-use assets and lease liabilities at the lease commencement date and thereafter if modified. The lease term includes any renewal options that Lifespan is reasonably assured to exercise.

Lifespan measures its right-of-use assets and lease liabilities at the lease commencement date based on the present value of the remaining lease payments. *Topic 842* provides a practical expedient for lessees that are not public business entities to use a risk-free incremental borrowing rate for their leases when establishing a discount rate. As Lifespan is not a public business entity, Lifespan has utilized the risk-free incremental borrowing rate when determining the present value of lease payments, as most of its leases do not provide a readily determinable implicit discount rate.

Most of Lifespan's leases are comprised of fixed lease payments and lease payments tied to usage which may be subject to variability. Lifespan recognizes rental expense for its operating leases on a straight-line basis over the lease term based on the total fixed lease payments, of which \$23,724 is included in general and administrative expenses in the consolidated statement of operations and changes in net assets for 2021. Variable lease payments are recognized as incurred.

**(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 the reported amounts of assets, liabilities, revenues, expenses, and accompanying notes, as well as related disclosure of contingent assets and liabilities. 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.

**(3) Summary of Significant Accounting Policies (continued)****(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.

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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Medicare and Senior Care	27%	30%
Blue Cross	21%	20%
Medicaid and Rlte Care	21%	23%
Managed Care	6%	5%
Commercial, self-pay, and other	25%	22%
	<u>100%</u>	<u>100%</u>



**(3) Summary of Significant Accounting Policies (continued)****(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.
- 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.

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, 2021 and 2020, Lifespan had no plans or intentions to sell investments at amounts different from NAV.

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

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 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.

Investment income from funds available for self-insurance liabilities is recorded within other revenues. 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 revenues without donor restrictions 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.

**(3) Summary of Significant Accounting Policies (continued)****(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.

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 of Revenues over Expenses**

The consolidated statements of operations and changes in net assets include excess of revenues over expenses. Changes in net assets without donor restrictions which are excluded from excess 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, net assets released from restrictions used for purchase of property and equipment, and net change in unrealized gains on investments.

**(3) Summary of Significant Accounting Policies (continued)****(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.

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.

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

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).

The following table reflects patient service revenue from third-party payors, government subsidies, and others (including uninsured patients) for the years ended September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Medicare and Senior Care	\$ 840,405	\$ 716,022
Blue Cross	574,672	483,541
Medicaid and Rlte Care	518,578	557,114
Managed Care	88,518	93,808
Commercial, self-pay, and other	<u>223,991</u>	<u>211,197</u>
Total patient service revenue	<u>\$ 2,246,164</u>	<u>\$ 2,061,682</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.

**(3) Summary of Significant Accounting Policies (continued)****(l) Other Revenues**

Included in other revenues in 2021 and 2020 is \$67,042 and \$108,800, respectively, in grants released by the United States Department of Health and Human Services (HHS) under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Included in net assets released from restrictions used for operations in 2021 is \$68,213 of funding from the United States Department of the Treasury under the State of Rhode Island's Hospital Assistance Partnership Program (HAPP). In 2020, \$21,012 of HAPP funding is included within other revenues (see note 4).

Additionally, Lifespan 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. Other revenues also consist of Lifespan School Solutions school revenue, investment income from funds available for self-insurance liabilities, indirect revenues from research grants, UPMIFA distributions, rental income, and dietary/cafeteria income.

**(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, net assets with donor restrictions 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.

**(3) Summary of Significant Accounting Policies (continued)****(p) Inventories**

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

**(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) Goodwill**

Goodwill, which is not subject to amortization, is included in other noncurrent assets in the accompanying consolidated statements of financial position. Goodwill is reviewed for impairment on an annual basis and more frequently if circumstances indicate a potential impairment exists or has occurred. Lifespan has determined that no impairment exists at September 30, 2021.

**(t) Reclassifications**

Certain 2020 amounts have been reclassified to conform to the 2021 reporting format.

**(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, including the establishment of a field hospital.

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 September 30, 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 2021, Lifespan received \$10,642 of CARES Act funding (i.e., Provider Relief Funds) and \$67,042 of cumulative CARES Act funding was recognized within other revenues in the consolidated statement of operations and changes in net assets. During 2020, Lifespan received \$165,200 of CARES Act funding and \$108,800 of that funding was recognized within other revenues in the consolidated statement of operations. In December 2021, Lifespan received additional funding of \$8,283 under the CARES Act.

During the fiscal year ended September 30, 2021, Lifespan sought and received \$66,475 from the U.S. Department of the Treasury under the Rhode Island Hospital Assistance Partnership Program (HAPP) in the form of grants released by the Rhode Island Department of Administration. \$68,213 of cumulative HAPP funding (i.e., Coronavirus Relief Funds) was recognized within net assets released from restrictions used for operations in the consolidated statement of operations and changes in net assets, while \$1,900 is reflected in net assets with donor restrictions in the September 30, 2021 consolidated statement of financial position.

During the fiscal year ended September 30, 2020, Lifespan sought and received \$24,650 from the U.S. Department of the Treasury under HAPP in the form of grants released by the Rhode Island Department of Administration. \$21,012 of that funding (i.e., Coronavirus Relief Funds) was recognized within other revenues in the September 30, 2020 consolidated statement of operations and changes in net assets, while \$3,638 was reflected in net assets with donor restrictions in the September 30, 2020 consolidated statement of financial position.



**(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 from the Centers for Medicare & Medicaid Services (CMS). During the fiscal year ended September 30, 2020, Lifespan received \$169,900 under the Program and recorded the payments within estimated third-party payor settlements in the September 30, 2020 consolidated statement of financial position. CMS began applying claims payments to offset the accelerated/advance payments in April 2021. Repayments by Lifespan through September 30, 2021 amount to \$44,521 and Lifespan has until September 2022 to repay the balance of \$125,379, which is reflected in the current portion of estimated third-party payor settlements in the September 30, 2021 consolidated statement of financial position.

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. Approximately 50% of the eligible deferred amount is due in December 2021, with the remaining 50% due in December 2022. As of September 30, 2021, Lifespan had deferred FICA deposits totaling \$42,790, which are recorded within accrued employee benefits and compensation (\$20,997) and other liabilities (\$21,793) in the consolidated statement of financial position.

Under the CARES Act, single employer defined benefit plan funding requirements for 2020, including quarterly contributions, could be delayed until January 4, 2021, at which time the contributions had to 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.

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. Restricted cash is included in assets limited to use and other noncurrent assets in the consolidated statements of financial position.

	<b>September 30</b>	
	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 374,827	\$ 413,587
Restricted cash	<u>4,393</u>	<u>6,006</u>
Cash, cash equivalents, and restricted cash	<u>\$ 379,220</u>	<u>\$ 419,593</u>

**(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 \$77,139 and \$78,469 in 2021 and 2020, 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 2024, 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, 2021 and 2020 is set forth in the following table:

	<u>2021</u>	<u>2020</u>
Funds available for self-insurance liabilities	\$ 189,248	\$ 171,455
Investments without donor restrictions	800,460	523,564
Investments with donor restrictions	<u>702,393</u>	<u>579,716</u>
Total	<u>\$ 1,692,101</u>	<u>\$ 1,274,735</u>

**(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, 2021 and 2020, as well as related strategy and liquidity/notice requirements:

	2021				Redemption frequency	Days' notice
	Level 1	Level 2	Level 3	Total		
U.S. equities:						
Large cap value	\$ 107,648	\$ —	\$ —	\$ 107,648	Daily	One
Mid-cap value	32,795	—	—	32,795	Daily	One
Large cap growth	138,357	—	—	138,357	Daily	One
International equities:						
Developed markets	36,038	96,699	—	132,737	Daily – Monthly	One – Thirty
Emerging markets	57,104	—	—	57,104	Daily	One
Commodities:						
Energy	22,540	—	—	22,540	Daily	One
Real estate	—	24,366	—	24,366	Monthly	Sixteen
Fixed income:						
U.S. Treasuries	49,367	—	—	49,367	Daily	One
U.S. Government and agency	111,573	36,980	—	148,553	Daily	One
Domestic bonds	46,573	171,636	—	218,209	Daily	One
Short-term investments	226,052	—	—	226,052	Daily	One
	828,047	329,681	—	1,157,728		
Assets held in trust (note 9)	—	—	81,319	81,319	Illiquid	N/A
Total	\$ 828,047	\$ 329,681	\$ 81,319	\$ 1,239,047		
	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		

**(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, 2021 and 2020:

	<u>2021</u>	<u>Redemption frequency</u>	<u>Days' notice</u>
U.S. equities:			
Large cap growth	\$ 48,361	Monthly	Fourteen
Marketable alternatives:			
Multiple strategies	38,501	Quarterly – Annually	Sixty-five – Ninety
Long-short equity	27,054	Monthly - Quarterly	Sixty
Absolute return strategies	79,432	Monthly – Annually	Sixty – Ninety
Absolute return strategies	3,990	Illiquid	N/A
International equities:			
Developed markets	42,001	Monthly	Ten
Private investments	<u>213,715</u>	Illiquid	N/A
Total investments measured at NAV	453,054		
All other investments	<u>1,239,047</u>		
Total investments	<u>\$ 1,692,101</u>		
	<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>		

**(7) Investments (continued)****Fair Value (continued)**

The following table presents Lifespan's activity for the years ended September 30, 2021 and 2020 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>2021</u>	<u>2020</u>
Fair value at October 1	\$ 70,218	\$ 68,969
Net unrealized gains	<u>11,101</u>	<u>1,249</u>
Fair value at September 30	<u>\$ 81,319</u>	<u>\$ 70,218</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, 2021 was \$130,936.

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

Lifespan's endowment consists of 500 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, 2021:

	<u>Without</u> <u>donor restrictions</u>		<u>With</u> <u>donor restrictions</u>		<u>Total</u>
Endowment funds with donor restrictions	\$ —	\$	702,393	\$	702,393
Internally board-designated endowment funds	<u>800,460</u>		<u>—</u>		<u>800,460</u>
Total endowment funds	<u>\$ 800,460</u>	\$	<u>702,393</u>	\$	<u>1,502,853</u>

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>

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

Changes in endowment funds for the year ended September 30, 2021 are as follows:

	<u>Without donor restrictions</u>		<u>With donor restrictions</u>		<u>Total</u>
Endowment funds, October 1, 2020	\$ 523,564	\$	579,716	\$	1,103,280
Interest, dividends, and net realized gains	106,799		131,288		238,087
Cash gifts, grants, and bequests	3,679		218,582		222,261
Private placement debt proceeds (note 15)	200,000		—		200,000
Net assets released from restrictions	—		(224,297)		(224,297)
Withdrawals, net	(33,595)		—		(33,595)
Other (decreases) increases	13		(2,896)		(2,883)
Endowment funds, September 30, 2021	<u>\$ 800,460</u>	<u>\$</u>	<u>702,393</u>	<u>\$</u>	<u>1,502,853</u>

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	36,220		44,074		80,294
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)
Withdrawals, net	(33,479)		—		(33,479)
Other decreases	—		(2,609)		(2,609)
Endowment funds, September 30, 2020	<u>\$ 523,564</u>	<u>\$</u>	<u>579,716</u>	<u>\$</u>	<u>1,103,280</u>

**(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 an investment policy for endowment assets that provides 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 target 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.



**(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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 374,827	\$ 413,587
Patient accounts receivable	241,706	236,852
Other receivables	56,969	43,913
Total financial assets available within one year	<u>\$ 673,502</u>	<u>\$ 694,352</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 \$53,794 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 \$800,460 and \$523,564 as of September 30, 2021 and 2020, 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 \$656,396 and \$417,936 can be liquidated on a daily to quarterly basis as of September 30, 2021 and 2020, 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, 2021 and 2020 was \$81,319 and \$70,218, respectively, and is reported as donor-restricted funds held in perpetuity within assets limited as to use in the consolidated statements of financial position.

**(10) Property and Equipment**

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

	<u>2021</u>	<u>2020</u>
Land and improvements	\$ 48,105	\$ 48,105
Buildings and improvements	1,334,421	1,293,140
Equipment	<u>852,998</u>	<u>810,992</u>
	2,235,524	2,152,237
Less accumulated depreciation and amortization	<u>1,447,155</u>	<u>1,363,174</u>
	788,369	789,063
Construction in progress	<u>34,021</u>	<u>31,942</u>
Property and equipment, net	<u>\$ 822,390</u>	<u>\$ 821,005</u>

Depreciation and amortization expense for the years ended September 30, 2021 and 2020 amounted to \$92,311 and \$91,552, 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 \$33,600 at September 30, 2021.

**(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.

**(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 ended 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 \$39,215 in 2021 and \$37,932 in 2020, 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.

**(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, 2021 and 2020 funded-status amounts for the Plan, Lifespan recorded increases in net assets without donor restrictions of \$52,658 and \$7,372, respectively.

The estimated amounts that will be amortized from net assets without donor restrictions into net periodic pension cost in 2022 are as follows:

Net actuarial loss	\$	15,719
Prior service cost		<u>122</u>
	\$	<u><u>15,841</u></u>

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

	<u>2021</u>	<u>2020</u>
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	\$ 766,354	\$ 750,203
Service cost	10,315	11,094
Interest cost	16,621	22,095
Plan settlement	(30,299)	(51,852)
Actuarial loss	22,763	45,016
Benefits paid	(9,406)	(9,474)
Effect of plan amendments	—	(728)
Projected benefit obligation at end of year	\$ <u><u>776,348</u></u>	\$ <u><u>766,354</u></u>

The accumulated benefit obligation at the end of 2021 and 2020 was \$754,456 and \$737,502, respectively.

	<u>2021</u>	<u>2020</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	\$ 507,193	\$ 499,930
Actual return on plan assets	74,800	41,305
Employer contributions	62,267	27,284
Plan settlement	(30,299)	(51,852)
Benefits paid	(9,406)	(9,474)
Fair value of plan assets at end of year	\$ <u><u>604,555</u></u>	\$ <u><u>507,193</u></u>

**(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>2021</u>	<u>2020</u>
Funded status, end of year:		
Fair value of plan assets	\$ 604,555	\$ 507,193
Projected benefit obligation	<u>776,348</u>	<u>766,354</u>
Accrued pension liability	<u>\$ (171,793)</u>	<u>\$ (259,161)</u>
	<u>2021</u>	<u>2020</u>
Amounts not yet reflected in net periodic pension cost and included in net assets without donor restrictions:		
Prior service cost	\$ (1,334)	\$ (1,455)
Accumulated net actuarial loss	<u>(168,198)</u>	<u>(220,735)</u>
Amounts not yet recognized as a component of net periodic pension cost	(169,532)	(222,190)
Accumulated net periodic pension cost in excess of employer contributions	<u>(2,261)</u>	<u>(36,971)</u>
Net amount recognized	<u>\$ (171,793)</u>	<u>\$ (259,161)</u>
	<u>2021</u>	<u>2020</u>
Sources of change in net assets without donor restrictions:		
Net gain (loss) arising during the year	\$ 28,356	\$ (24,965)
Amortizations:		
Pension settlement charge	5,938	14,565
Net actuarial loss	18,243	19,121
Prior service credit (cost)	<u>121</u>	<u>(1,349)</u>
Total net assets without donor restrictions gain recognized during the year	<u>\$ 52,658</u>	<u>\$ 7,372</u>

**(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>2021</u>	<u>2020</u>
Service cost, included in compensation and benefits	\$ 10,314	\$ 11,094
Non-service periodic pension costs:		
Interest cost	16,621	22,095
Expected return on plan assets	(23,680)	(23,329)
Pension settlement charge	5,938	14,565
Amortization of net actuarial loss	18,243	19,121
Amortization of prior service cost	121	10
Total non-service periodic pension costs	<u>17,243</u>	<u>32,462</u>
Net periodic pension cost	<u>\$ 27,557</u>	<u>\$ 43,556</u>

Based on the level of lump sum distributions that were paid by the Plan in 2021 and 2020, Lifespan incurred non-cash settlement charges of \$5,938 and \$14,565, respectively.

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

	<u>2021</u>	<u>2020</u>
Discount rate for benefit obligations	2.80%	2.70%
Discount rate for net periodic pension cost	2.70%	3.16%
Rate of compensation increase	*	**
Expected long-term rate of return on Plan assets	6.50%	7.00%

\* For RIH, service-based with ultimate rates of 5.00% (UNAP) and 2.20% (IBT);  
Not applicable for all other affiliates

\*\* For RIH, service-based with ultimate rate of 4.50% (UNAP and IBT);  
Not applicable for all other affiliates

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

The asset allocation for the Plan at September 30, 2021 and 2020, and the target allocation for 2022, by asset category, are as follows:

<b>Asset category</b>	<b>Target allocation 2022</b>	<b>Percentage of plan assets September 30</b>	
		<b>2021</b>	<b>2020</b>
U.S. equities	22.0%	22.7%	23.2%
Marketable alternatives	15.0%	14.3	13.8
International equities	22.0%	22.1	19.6
Liquid diversifiers	8.0%	7.9	7.9
Private equity/venture capital	-	0.1	0.1
Fixed income	30.0%	30.5	30.7
Short-term investments	3.0%	2.4	4.7
Total		<u>100.0%</u>	<u>100.0%</u>

The asset allocation table above does not include \$74,661 and \$64,430 of Plan assets at September 30, 2021 and 2020, 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 or changes to asset allocation. This estimate is primarily driven by actual historical asset-class returns, current valuations, and our long-term outlook for a globally diversified portfolio. Asset allocations are regularly reviewed and updated based on Plan investment objectives and evaluations of future market returns for each asset class.



**(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, 2021 and 2020, as well as related strategy and liquidity/notice requirements:

	2021			Redemption frequency	Days' notice
	Level 1	Level 2	Total		
U.S. equities:					
Mid-cap value	\$ 12,610	\$ —	\$ 12,610	Daily	One
Large cap value	23,293	—	23,293	Daily	One
Large cap growth	61,236	—	61,236	Daily	One
International equities:					
Developed markets	47,744	22,931	70,675	Daily - Monthly	One - Thirty
Emerging markets	22,853	—	22,853	Daily	One
Real estate	—	11,448	11,448	Monthly	Sixteen
Fixed income:					
U.S. Treasuries	68,519	—	68,519	Daily	One
U.S. Government and agency	—	849	849	Daily	One
Domestic bonds	14,932	105,625	120,557	Daily	One
Short-term investments	15,637	—	15,637	Daily	One
Fidelity mutual funds	74,661	—	74,661	Daily	One
Total	\$ 341,485	\$ 140,853	\$ 482,338		

  

	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		

**(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, 2021 and 2020:

	<u>2021</u>	<u>Redemption frequency</u>	<u>Days' notice</u>
U.S. equities:			
Large cap growth	\$ 22,437	Monthly	Fourteen
Marketable alternatives:			
Multiple strategies	13,909	Quarterly	Sixty - Ninety
Long-short equity	18,651	Monthly - Quarterly	Sixty
Absolute return strategies	42,265	Monthly - Annually	Sixty - Ninety
Absolute return strategies	491	Illiquid	N/A
International equities:			
Developed markets	23,889	Monthly	Ten
Venture capital	575	Illiquid	N/A
Total Plan investments measured at NAV	122,217		
All other Plan investments	482,338		
Total fair value of Plan assets	\$ 604,555		
	<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	122,515		
All other Plan investments	384,678		
Total fair value of Plan assets	\$ 507,193		

**(11) Pension and Other Postretirement Benefits (continued)*****Expected Cash Flows***

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

Employer contributions:		
2022	\$	39,955
Expected benefit payments:		
2022	\$	78,142
2023		42,595
2024		39,673
2025		39,544
2026		39,706
2027 through 2031		189,963

Management evaluates its Plan assumptions annually and the expected employer contributions in 2022 could increase.

***Other Postretirement Benefits***

In addition to providing pension benefits, RIH, TMH, and Lifespan Corporation 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. At September 30, 2021 and 2020, the accrued postretirement benefit cost recognized within other liabilities in the consolidated statements of financial position was \$11,375 and \$13,355, respectively. Based on September 30, 2021 and 2020 funded-status amounts for the postretirement benefit plan, Lifespan recorded an increase in net assets without donor restrictions of \$1,083 in 2021 and a decrease in net assets without donor restrictions of \$560 in 2020. Approximately \$389 of net actuarial gain will be amortized from net assets without donor restrictions into net periodic postretirement benefit cost in 2022.

**(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 \$22,000 per claim with no annual aggregate. In addition, \$40,000 of commercial umbrella excess insurance has been obtained by Lifespan to increase the professional liability limits to \$62,000 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 804 LPG clinicians and 709 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. RISE also furnishes \$1,000 of automobile liability coverage as well as deductible coverage for several other lines of insurance. In addition, commercial excess liability insurance has been obtained by Lifespan to increase the aggregate general liability coverage to \$62,000.

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, 2021 and 2020 have been discounted at 4%. Lifespan has a standby letter of credit of \$17,000 through July 31, 2022 supporting the estimated unpaid liability.

**(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 2021 Medicare cost reports have not been filed and, therefore, are not settled.

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

	RIH	TMH	NH
2020	X	X	X
2019	X	X	
2018	X		
2017	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 decreased by \$3,588 in 2021 yet increased by \$1,153 in 2020 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 §501(c)(3) of the Internal Revenue Code (the Code) and are exempt from Federal income taxes pursuant to §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 2021 or 2020.

**(15) Long-Term Debt**

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

	<u>2021</u>	<u>2020</u>
Private placement debt due May 27, 2031 at a fixed rate of 2.99% (2021 Series - Lifespan Obligated Group)	\$ 200,000	\$ —
Hospital Financing Revenue fixed rate serial and term bonds due May 15, 2022 through 2039 in annual amounts ranging from \$6,540 to \$42,920 at rates ranging from 4% to 5% (2016 Series – Lifespan Obligated Group)	197,881	212,086
Private placement debt due July 1, 2022 through 2029 in annual amounts ranging from \$1,338 to \$1,629 at a fixed rate of 2.85% (2014 Series – NH)	11,831	13,128
Other long-term debt	2,447	6,217
Unamortized premium – 2016 Series	<u>24,647</u>	<u>27,746</u>
	436,806	259,177
Less current portion	<u>16,380</u>	<u>15,726</u>
Long-term debt, net of current portion	<u>\$ 420,426</u>	<u>\$ 243,451</u>

On May 27, 2021, the Lifespan Obligated Group (OG) issued taxable senior secured notes in a private placement in the aggregate principal amount of \$200,000 at a fixed rate of 2.99%, due May 27, 2031. The proceeds from the issuance will be used to fund strategic initiatives. These notes 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.

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 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.

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

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 NH's 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 2026 are as follows: 2022, \$16,380; 2023, \$17,172; 2024, \$17,993; 2025, \$18,865; and 2026, \$21,219.

**(16) Leases**

Lifespan's portfolio includes operating leases of assets typically associated with real estate, clinical, research, diagnostic equipment, and administrative equipment. These operating leases generally have 1-to-30-year terms, with one or more renewal options, primarily relating to the real estate leases. The exercise of such lease renewal options is at Lifespan's sole discretion, and to the extent Lifespan is reasonably certain it will exercise a renewal option, the years related to that option are included in its determination of the lease term. Certain leases also include options to purchase the leased property at a price that either approximates or exceeds fair value.

Lease cost amounts to \$23,724 for the year ended September 30, 2021.

The following summarizes additional information related to operating leases as of September 30, 2021:

Weighted average remaining lease term	5.9 years
Weighted average discount rate	1.70%

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 on September 30, 2021:

Year ending September 30:		
2022	\$	24,782
2023		22,555
2024		19,333
2025		14,514
2026		11,312
Thereafter		<u>29,786</u>
Total future minimum lease payments		122,282
Less imputed interest		<u>(11,395)</u>
Total lease liabilities	\$	<u><u>110,887</u></u>

**(16) Leases (continued)**

Supplemental cash flow information related to operating leases is as follows for the year ended September 30, 2021:

Operating cash flows from operating leases	\$ <u>23,724</u>
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*Information Prior to the Adoption of Topic 842*

At September 30, 2020, Lifespan had noncancelable operating leases for certain buildings and equipment. Rental expense under Lifespan's operating and other lease contracts approximated \$36,251 in 2020.

Future minimum lease commitments under noncancelable leases were as follows 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>

**(17) 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 15, 2021, 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, 2022. At September 30, 2021, 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.



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

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

	<u>2021</u>	<u>2020</u>
General health care service activities	\$ 563,940	\$ 460,258
Property and equipment	58,426	49,025
Research	<u>106,980</u>	<u>94,205</u>
Total	<u>\$ 729,346</u>	<u>\$ 603,488</u>

**(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 2021 and 2020, the State of Rhode Island assessed a license fee to all Rhode Island hospitals, based on each hospital's 2019 and 2018 net patient service revenue, respectively, as defined. The Hospitals' (RIH, TMH, and NH) license fee expense in the years ended September 30, 2021 and 2020 was \$92,122 and \$108,018, respectively.

**(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, 2021 and 2020:

	<b>2021</b>			
	<u>Health Care Services</u>	<u>Research</u>	<u>General and Administrative</u>	<u>Total</u>
Compensation and benefits	\$ 1,372,975	\$ 63,762	\$ 172,217	\$ 1,608,954
Supplies and other expenses	622,529	66,136	61,756	750,421
Purchased services	158,872	7,067	15,251	181,190
Depreciation and amortization	80,373	3,659	8,279	92,311
Interest	9,580	-	88	9,668
License fees	92,122	-	-	92,122
	<u>\$ 2,336,451</u>	<u>\$ 140,624</u>	<u>\$ 257,591</u>	<u>\$ 2,734,666</u>

	<b>2020</b>			
	<u>Health Care Services</u>	<u>Research</u>	<u>General and Administrative</u>	<u>Total</u>
Compensation and benefits	\$ 1,239,051	\$ 58,634	\$ 167,759	\$ 1,465,444
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
	<u>\$ 2,097,953</u>	<u>\$ 117,876</u>	<u>\$ 249,166</u>	<u>\$ 2,464,995</u>

**(23) Promises to Give**

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

	<u>2021</u>	<u>2020</u>
Capital campaigns	\$ 5,662	\$ 9,608
Other restricted	<u>11,820</u>	<u>3,729</u>
Unconditional promises to give before unamortized discount and allowance for uncollectibles	17,482	13,337
Less: unamortized discount at rates ranging from 0.5% to 3.0%	<u>(394)</u>	<u>(331)</u>
Subtotal	17,088	13,006
Less: allowance for uncollectibles	<u>(270)</u>	<u>(301)</u>
Net unconditional promises to give	<u>\$ 16,818</u>	<u>\$ 12,705</u>
Amounts due in:		
Less than one year	\$ 8,295	\$ 5,662
One to five years	8,488	6,998
More than five years	<u>35</u>	<u>45</u>
Total	<u>\$ 16,818</u>	<u>\$ 12,705</u>

LIFESPAN CORPORATION AND AFFILIATES

Schedule of Expenditures of Federal Awards

Year ended September 30, 2021

Federal Grantor/Pass-through Grantor	Assistance listing number	Direct award or pass-through entity identifying number	Passed through to subrecipients	Total federal expenditures
Research and Development Cluster:				
Department of Defense:				
Military Medical Research and Development	12.420	Direct	\$ 260,875	1,463,009
Passed Through:				
Colorado State University	12.420	W81XWH1810458	—	(6,652)
Johns Hopkins University	12.420	W81XWH-10-2-90	—	10,550
COVID-19 Johns Hopkins University	12.420	W911QY-20-9-0012	—	314,191
COVID-19 Johns Hopkins University	12.420	W911QY-20-9-0012	—	401,715
Massachusetts General Hospital	12.420	W81XWH-17-2-0016	—	411,301
Ocean State Research Institute, Inc.	12.420	W81XH-17-0619	—	66,983
The Geneva Foundation	12.420	W81XWH2020015	—	33,296
University of Pittsburgh	12.420	W81XWH-17-2-0073	—	24,263
Uniform Services University Medical Research Projects				
Passed Through:				
Henry M. Jackson Foundation	12.750	HU0001-14-1-0061	—	22,343
Henry M. Jackson Foundation	12.750	HU0001-19-2-0063	—	57,398
Research and Technology Development				
Passed Through:				
Brown University	12.910	D19AC00015	—	57,779
Department of Justice:				
Crime Victim Assistance				
Passed Through:				
Amos House	16.182	USDOJ 2018-CY-BX-0010	—	70,626
State of Rhode Island	16.575	2019-V2-GX-0056	—	(4,167)
State of Rhode Island	16.575	2020-V2-GX-0062	—	71,325
Department of Transportation:				
National Priority Safety Programs				
Passed Through:				
Rhode Island Department of Transportation	20.600	NHTSA402PS2206	—	19,719
Rhode Island Department of Transportation	20.616	NHTSAM2CPS1601	—	126,294
National Science Foundation:				
Engineering				
Passed Through:				
Circadian Positioning Systems, Inc.	47.041	2025864	—	61,242
Computer and Information Science and Engineering				
Passed Through:				
Brown University	47.070	IIS-2027892	—	18,046
Office of International Science and Engineering				
Passed Through:				
University of Rhode Island	47.079	NSF: OIA-1539068	—	(87)
Department of Veterans Affairs:				
Passed Through:				
Providence VA Medical Center	64.999	1101HX002534	—	11,006
Providence VA Medical Center	64.999	IPA OF 69	—	21,392
Department of Health and Human Services:				
Centers For Disease Control and Prevention:				
Centers for Disease Control	93.136	Direct	183,596	836,850
Centers for Disease Control	93.349	Direct	105,390	629,803
Centers for Disease Control	93.U01	Direct	—	22,922
Passed Through:				
Georgia State University Research Foundation	93.136	U01CE003215	—	41,833
Rhode Island Department of Health	93.136	NU17CE9249567	—	334,109
Rhode Island Department of Health	93.136	NU17CE924967	—	58,468
Rhode Island Department of Health	93.136	PO 3597324	—	70,649
Boston Children's Hospital	93.080	5NU27DD001155	—	(375)
Boston Children's Hospital	93.080	NU27DD000020	—	19,589
Food and Drug Administration				
Passed Through:				
Duke Clinical Research Institute	93.103	U18 FD006298	—	365
Progeria Research Foundation	93.103	U01FD006886	—	19,204
National Institutes of Health	93.077	Direct	—	104,651
National Institutes of Health	93.110	Direct	118,785	458,363
National Institutes of Health	93.127	Direct	271,040	538,821
National Institutes of Health	93.213	Direct	661	187,187
National Institutes of Health	93.233	Direct	148,376	544,724
National Institutes of Health	93.242	Direct	2,289,436	6,006,188
National Institutes of Health	93.243	Direct	223,032	644,298
National Institutes of Health	93.273	Direct	594,013	1,785,256
National Institutes of Health	93.279	Direct	567,301	2,641,547
National Institutes of Health	93.307	Direct	614,210	1,560,518
National Institutes of Health	93.310	Direct	67,015	510,915
National Institutes of Health	93.361	Direct	(21,446)	(21,446)
National Institutes of Health	93.393	Direct	—	667
National Institutes of Health	93.394	Direct	—	30,837
National Institutes of Health	93.396	Direct	67,260	644,554
National Institutes of Health	93.837	Direct	943,831	8,324,513
National Institutes of Health	93.838	Direct	19,305	694,627
National Institutes of Health	93.839	Direct	208,021	604,642
National Institutes of Health	93.846	Direct	313,757	1,875,940
National Institutes of Health	93.847	Direct	767,070	4,278,302
National Institutes of Health	93.853	Direct	101,441	344,247
National Institutes of Health	93.855	Direct	2,511,319	5,107,459
National Institutes of Health	93.859	Direct	3,445,611	10,217,431

LIFESPAN CORPORATION AND AFFILIATES

Schedule of Expenditures of Federal Awards

Year ended September 30, 2021

Federal Grantor/Pass-through Grantor	Assistance listing number	Direct award or pass-through entity identifying number	Passed through to subrecipients	Total federal expenditures
National Institutes of Health	93.865	Direct	\$ 763,266	2,740,945
National Institutes of Health	93.866	Direct	331,017	1,840,840
COVID-19 National Institutes of Health	93.918	Direct	—	85,167
National Institutes of Health	93.989	Direct	39,681	147,674
Passed Through:				
Icahn School of Medicine at Mount Sinai	93.110	5H30MC24048	—	22,708
Rhode Island Department of Health	93.110	U01CMC32319	—	16,925
Rhode Island Department of Health	93.110	U4CMC32319	—	351,669
Brown University	93.113	U01ES028184	—	87,699
Emory University School of Medicine	93.113	1R24ES028507	—	274,033
J. Craig Venter Institute	93.113	R01 ES030227	—	266,707
Dell Children's Medical Center of Texas	93.127	6U07MC37471	—	6,998
Yale University	93.127	GR108045	—	101,010
Brown University	93.136	1R01CE003267	—	175,619
University of Massachusetts	93.145	U1OHA29294	—	29,510
University of Massachusetts	93.145	U1OHA29294	—	36,256
University of Massachusetts	93.145	U1OHA29294	—	39,332
Family Aids Center for Treatment	93.153	H12HA24854	—	48,149
Brown University	93.213	1R34AT009886	—	16,674
Butler Hospital	93.213	1U01AT010863	—	22,969
Agency for Healthcare Research and Quality	93.226	1F32HS027071	—	59,966
Agency for Healthcare Research and Quality	93.226	R01HS026895	11,435	174,166
Brown University	93.242	1R01MH112386	—	74,513
Brown University	93.242	1R01MH114843	—	8,328
Brown University	93.242	1R01MH117960	—	64,936
Brown University	93.242	1R34MH114307	—	55,100
Brown University	93.242	1R34MH115457	—	31,121
Brown University	93.242	1R34MH117198	—	8,286
Brown University	93.242	1R34MH124469	—	5,770
Brown University	93.242	2R25MH101076	—	24,321
Brown University	93.242	5R21MH115514	—	8,055
Brown University	93.242	7R01MH108641	—	208,849
Brown University	93.242	R01MH110449	—	(4,767)
Brown University	93.242	R01MH114891	—	54,825
Brown University	93.242	R01MH119919	—	76,736
Brown University	93.242	R01MH122301	—	14,227
Butler Hospital	93.242	1R01MH12483	—	11,666
Butler Hospital	93.242	1R01MH124832	—	2,578
Butler Hospital	93.242	R01MH108610	—	2,665
Butler Hospital	93.242	R01MH112674	—	(248)
George Mason University	93.242	1R01MH118680	—	25,865
Massachusetts General Hospital	93.242	7127592	—	(7,305)
Massachusetts General Hospital	93.242	7RF1MH120830	—	27,846
Stanford Medical University	93.242	62489925-139369	—	25,211
University of Massachusetts Medical School	93.242	WA00504172	—	(1,471)
University of North Carolina at Chapel	93.242	U01 MH110925	—	41,129
University of North Carolina at Chapel	93.242	U01 MH110925	—	48,744
Yale University	93.242	1R21MH125199	—	22,958
Brown University	93.243	5UR1T1080209-04	—	69,188
Brown University	93.243	H79TI082570	—	123,255
Rhode Island Department of Health	93.243	1H79SM082108	14,866	100,469
Rhode Island Department of Health	93.270	NU51PS005090	—	11,504
Brown University	93.273	1R01AA025456	—	15,598
Brown University	93.273	1R01AA025456	—	21,712
Brown University	93.273	1R21AA026740	—	4,378
Brown University	93.273	1R21AA026740	—	15,010
Brown University	93.273	5K24AA026326	—	4,659
Brown University	93.273	HHSN2752015000031	—	5,077
Brown University	93.273	R34AA027195	—	37,908
Georgia State University Research Foundation	93.273	5R34AA025691	—	21,355
Indiana University	93.273	1R21AA028576	—	14,154
Lehigh University	93.273	1R34AA026032	—	14,408
Tulane University Medical Center	93.273	R21AA028576	—	1,776
Baystate Medical Center	93.279	5R01DA038082	—	4,595
Beacon Tech, Inc. at Marigold Health	93.279	R41 DA047837	—	(2,778)
Brigham & Women's Hospital	93.279	K24 DA044858	—	1,298
Brigham & Women's Hospital	93.279	R34 DA045544	—	24,054
Brigham & Women's Hospital	93.279	RDA047236A	—	33,832
Brown University	93.279	1R01DA045396	—	89,778
Brown University	93.279	1R34DA042247	—	9,975
Brown University	93.279	1R34DA053738	—	10,213
Brown University	93.279	K01 DA039311	—	8
Brown University	93.279	R01DA046620	—	14,656
Brown University	93.279	R01DA047975	—	17,873
Brown University	93.279	U01DA050442	—	6,224
McLean Hospital	93.279	3UG1DA015831	—	381,765
University of Massachusetts	93.279	1R21DA046734	—	861
Brigham & Women's Hospital	93.307	R01 MD011685	—	4,463
Brown University	93.307	T37 MD008655	—	5,833
Brown University	93.310	3U54GM115677	—	28,259
Brown University	93.310	5U54GM115677	—	79,660
Brown University	93.310	5U54GM115677	—	32,253
Office of The Director National Institutes of Health	93.310	5UH3OD023313	1,316,706	4,475,776

LIFESPAN CORPORATION AND AFFILIATES  
Schedule of Expenditures of Federal Awards  
Year ended September 30, 2021

Federal Grantor/Pass-through Grantor	Assistance listing number	Direct award or pass-through entity identifying number	Passed through to subrecipients	Total federal expenditures
University of Arkansas for Medical Science	93.310	2U24OD024957	\$ —	57,041
Rhode Island Department of Health	93.323	PO# 3727653	—	3,516
Nanode Therapeutics	93.350	1R41TR002298	—	39,507
Dana Farber Cancer Institute	93.353	UM1CA233080	—	270,555
COVID-19 Regeneron Pharmaceuticals	93.360	HHSO100201700020C	—	214,671
COVID-19 Regeneron Pharmaceuticals	93.360	HHSO100201700020C	—	747,003
COVID-19 Regeneron Pharmaceuticals	93.360	PO# 797253	—	96,850
Butler Hospital	93.361	R01NR015977	—	59,650
Johns Hopkins University	93.365	U1EMC27864	—	18,789
Brown University	93.393	R21CA243906	—	49,340
Albert Einstein College of Medicine	93.394	1R01CA218429	—	45,762
Brown University	93.394	2R01CA159954	—	16,248
Medical College of Wisconsin	93.394	U01CA176110	—	14,207
St. Joseph Hospital	93.394	R01 CA221938	—	42,205
American College of Radiology	93.395	U10CA180820	—	2,164
Children's Hospital of Philadelphia	93.395	U10CA180886	—	10,172
Oregon Health Sciences University	93.395	U10CA180888	—	14,745
Public Health Institute	93.395	U10CA180886	—	1,213
University Health Toronto	93.395	2UM1CA1866440	—	3,423
Fox Chase Cancer Center	93.396	1R01CA259188	—	22,787
Indiana University	93.397	U54CA254518	—	18,271
Brown University	93.398	1R01CA201262	—	10,510
National Association of County and City Health Officials	93.421	NU380TOOO306	—	2,740
National Association of County and City Health Officials	93.421	NU380T000306	—	52,943
Rhode Island Department of Human Services	93.575	G2001R1CCDD	—	160,508
Rhode Island Department of Health	93.788	H79T083281	—	247,224
Brown University	93.837	1R01HL135200	—	31,082
Brown University	93.837	R01HL135091	—	35,913
Hennepin Healthcare Research Institute	93.837	1R01HL136327	—	30,641
Indiana University	93.837	R01HL136603	—	70,595
Massachusetts General Hospital	93.837	R01 HL137562	—	5,306
Mayo Clinic Rochester	93.837	5U01HL128606	—	2,418
Mayo Clinic Rochester	93.837	5U01HL128606	—	3,728
Ocean State Research Institute, Inc.	93.837	R01 HL139795	—	35,112
Ohio State University	93.837	R01HL142588	—	74,162
University of Minnesota	93.837	N007373301	—	709
University of Pennsylvania	93.837	1R01HL134905	—	82,987
University of Pittsburgh	93.837	R01HL147914	—	29,290
University of Rhode Island	93.837	R01HL135236	—	19,009
Indiana University	93.838	1R01HL148247	—	2,298
Massachusetts General Hospital	93.838	1R01HL152075	—	31,447
New York University School of Medicine	93.838	OT2HL161847	—	2,000
Ocean State Research Institute, Inc.	93.838	R01 HL148727	—	56,410
University of Arizona	93.838	R25HL126140	4,325	6,258
University of Florida	93.838	1R01HL153119	—	65,679
University of Virginia	93.838	1U01HL133708	—	24,581
Boston Medical Center	93.839	R01HL141774	—	46,916
Rutgers, The State University of New Jersey	93.839	U01HL133817	—	28,210
Rutgers, The State University of New Jersey	93.839	U01HL133817	—	34,990
Cleveland Clinic Foundation	93.846	R01AR074131	—	118,739
Oxford Performance Materials, Inc.	93.846	1R41AR076303	—	9,275
University of Connecticut	93.846	7R01AR072027	—	10,529
University of Connecticut	93.846	7R01AR072027	—	56,237
Brown University	93.847	R01DK125382	—	8,195
Sanford Research North	93.847	1R01DK112487	—	24,528
University of Alabama at Tuscaloosa	93.847	R01DK122473	—	146,189
University of Connecticut	93.847	5R01DK111232	—	11,812
University of Pittsburgh	93.847	R01DK120597	—	30,434
University of Pittsburgh	93.847	R03DK117198	—	4,410
University of Tennessee	93.847	1R01DK121360	—	61,742
Cleveland Clinic Foundation	93.853	R01NS108414	—	24,335
Columbia University	93.853	1R01NS110826	—	12,032
Emory University School of Medicine	93.853	R21NS116726	—	14,065
Mayo Clinic Rochester	93.853	5U01NS080168	—	65,214
Oriando Health, Inc.	93.853	R01 NS057676	—	66,446
University of Cincinnati	93.853	5U01NS095869	—	2,395
University of Cincinnati	93.853	U01NS100699	—	1,939
University of Cincinnati	93.853	U01NS102289	—	31
Virginia Tech University	93.853	R01NS094410	—	(10,897)
Yale University	93.853	U24NS107215	—	55,245
Aga Foundation	93.855	5R24AI118629	—	12,499
Boston Children's Hospital	93.855	R01AI141656	—	4,162
Brown University	93.855	1R01AI127699	—	59,229
Brown University	93.855	5R01AI108441	—	17,726
Brown University	93.855	R25AI140490	—	90,672
COVID-19 Case Western Reserve University	93.855	R01AI129709	—	117,188
Fred Hutchinson Cancer Research Center	93.855	UM1AI068614	—	3,442
Fred Hutchinson Cancer Research Center	93.855	UM1AI068614	—	43,363
Icahn School of Medicine at Mount Sinai	93.855	R01AI120792	—	141,339
Indiana University	93.855	5U01AI069911	—	73,648
Johns Hopkins University	93.855	1R01AI144997	—	237,488
Johns Hopkins University	93.855	UM1A1068632	—	42,053
Massachusetts Eye and Ear Infirmary	93.855	5P01AI083214	—	79,811
Massachusetts Eye and Ear Infirmary	93.855	P01AI083214	—	59,407

LIFESPAN CORPORATION AND AFFILIATES  
Schedule of Expenditures of Federal Awards  
Year ended September 30, 2021

Federal Grantor/Pass-through Grantor	Assistance listing number	Direct award or pass-through entity identifying number	Passed through to subrecipients	Total federal expenditures
Massachusetts General Hospital	93.855	UM1 AI069412	\$ —	147,033
Oak Crest Institute Of Science	93.855	1U19A1113048	—	4,462
COVID-19 University of California Los Angeles	93.855	UM1 AI068636	—	64,855
COVID-19 University of California Los Angeles	93.855	UM1AI068636	—	167,581
COVID-19 University of California Los Angeles	93.855	UM1AI068636	—	273,399
COVID-19 University of California Los Angeles	93.855	UM1AI068636	117,480	323,850
Brown University	93.859	3U54GM115677	—	77,963
Brown University	93.859	5U54GM115677	—	6,613
Brown University	93.859	5U54GM115677	—	13,516
Brown University	93.859	5U54GM115677	—	35,484
Brown University	93.859	5U54GM115677	—	42,404
Brown University	93.859	5U54GM115677	—	51,576
Brown University	93.859	5U54GM115677	—	57,364
Brown University	93.859	5U54GM115677	—	119,524
Brown University	93.859	P20GM130414	—	27,085
Brown University	93.859	U54 GM115677	—	63,657
Brown University	93.859	U54GM115677	—	8,867
Brown University	93.859	U54GM115677	—	17,532
Brown University	93.859	U54GM115677	—	18,308
Ocean State Research Institute, Inc.	93.859	5P20GM103652	—	2,259
Ocean State Research Institute, Inc.	93.859	P20 GM103652	—	51,197
Ocean State Research Institute, Inc.	93.859	P20 GM103652	—	121,218
Ocean State Research Institute, Inc.	93.859	P20 GM103652	—	285,850
University of Rhode Island	93.859	P30GM103430	—	1,597
Women & Infants Hospital of Rhode Island	93.859	P20GM121298	—	23,256
Brown University	93.865	1R01HD092301	—	114,205
Brown University	93.865	1R01HD104187	—	112,438
Brown University	93.865	R01HD086487	—	86,854
California Polytechnic State University	93.865	1R01HD084282	7,827	56,182
Children's Hospital of Philadelphia	93.865	R01HD101528	—	6,888
Children's Hospital of Philadelphia	93.865	RHD101528A	—	4,747
Kent State University	93.865	1R21HD095099	—	8,710
Kent State University	93.865	1R21HD098450	—	18,754
Northeastern University	93.865	1R01HD080780	—	1,662
Northeastern University	93.865	1R01HD095932	—	168,010
University of Arkansas for Medical Science	93.865	8U24OD024957	—	(4,928)
University of Michigan	93.865	R24 HD087149	—	37,260
University of North Carolina at Chapel	93.865	5U24HD089880	—	27,853
Brown University	93.866	1R21AG061632	—	31,805
Brown University	93.866	5R21AG059120	—	(1,600)
Brown University	93.866	R01AG065722	—	23,261
Brown University	93.866	R01AG069349	—	36,621
Hebrew Rehabilitation Center for Aged	93.866	R37AG032982	—	32,788
Hebrew Senior Life	93.866	R24AG054259	—	64,926
University of Massachusetts	93.866	R01AG068450	—	21,952
University of Southern California	93.866	2U19AG024904	—	80,413
University of Southern California	93.866	R01AG053798	—	5,093
University of Southern California	93.866	R01AG053798	—	22,107
University of Southern California	93.866	R01AG054029	—	28,681
University of Southern California	93.866	R01AG061848	—	13,202
University of Southern California	93.866	U19AG010483-	—	(179)
University of Washington	93.866	R01AG060011	—	64,039
Wake Forest University	93.866	1R01AG058571	—	23,323
Rhode Island Department of Health	93.940	NU62PS924548	—	46,442
Brandeis University	93.959	08T1010023	—	22,820
Brown University	93.989	3D43TW011317	—	21,160
Brown University	93.989	D43 TW011317	—	39,998
Brown University	93.989	D43TW010565	—	13,333
Thundermist Health Associates	93.994	B04MC31515	—	61,554
Brown University	93.U01	ME-2019C3-17875	—	59,478
Brown University	93.U01	ONC201 NIH R01	—	61,024
Duke University Medical Center	93.U01	HHSN-2752018000031	—	13,200
University of Pittsburgh	93.U01	1OT2HL156812	—	6
Research and Development Cluster total			16,406,502	73,490,472
Child and Nutrition Cluster:				
Department of Agriculture:				
Food and Nutrition Services				
Passed Through:				
Rhode Island Department of Education	10.553	1205620	—	21,314
Rhode Island Department of Education	10.555	1205620	—	54,813
Rhode Island Department of Education	10.582	1205620	—	4,746
Food and Nutrition Services – Gateway:				
Passed Through:				
Rhode Island Department of Education	10.555	Spon #28856	—	71,458
Child Nutrition Cluster total			—	152,331
Other Federal Awards:				
Department of Defense:				
Military Medical Research and Development:				
Passed Through:				
Johns Hopkins University	12.420	W81XWH-10-234	—	5,000
Henry M. Jackson Foundation	12.U01	W911QY-19-9-0015	—	18,341

LIFESPAN CORPORATION AND AFFILIATES

Schedule of Expenditures of Federal Awards

Year ended September 30, 2021

Federal Grantor/Pass-through Grantor	Assistance listing number	Direct award or pass-through entity identifying number	Passed through to subrecipients	Total federal expenditures
Department of Housing and Urban Development			\$	
Community Development Block Grants				
Passed Through:				
City of Pawtucket, Rhode Island	14.218	CDBG grant award	—	10,565
City of Pawtucket, Rhode Island	14.218	Contract #699-39A	—	64,915
Mainstream Vouchers				
Passed Through:				
Department of Housing and Urban Development	14.879	HUD MAINSTREAM	—	590,777
Department of Justice:				
Crime Victim Assistance				
Passed Through:				
Rhode Island Department of Corrections	16.015	RFP #7603778	—	104,424
Rhode Island Department of Corrections	16.015	RFP# 7551483A2	—	30,771
Department of Justice	16.015	2021-J1-BX-0013	—	52,382
Department of Justice	16.575	15-419-VOCA/15-420-VOCA	—	39,709
Department of Labor:				
Passed Through:				
Rhode Island Department of Labor and Training	17.258	IG2-11-8-1	—	(205)
Rhode Island Department of Labor and Training	17.258	IG2-11-7-1	—	6,937
Rhode Island Department of Labor and Training	17.258	IG2-11-9-1	—	61,680
Rhode Island Department of Labor and Training	17.258	IG2-11 ADDENDUM 10	—	44,511
Rhode Island Department of Labor and Training	17.258	IG2-11 ADDENDUM#11	72,007	167,842
Rhode Island Department of Labor and Training	17.258	IG2-11 ADDENDUM#12	—	176,874
Rhode Island Department of Labor and Training	17.258	IG2-11 PITCH #5 Addend#6	—	97,213
Rhode Island Department of Labor and Training	17.258	IG2-11-CON14-B2W	—	58,850
Rhode Island Department of Labor and Training	17.258	IG2-11-CON15-B2W	—	118,678
Rhode Island Department of Labor and Training	17.258	IG2-11-CON16-B2W	—	92,321
Rhode Island Department of Labor and Training	17.258	IG2-11-CON17-B2W	—	56,624
Rhode Island Department of Labor and Training	17.258	IG2-11-CON18-B2W	—	100,831
Rhode Island Department of Labor and Training	17.258	IG2-11-CON19	—	67,941
Rhode Island Department of Labor and Training	17.258	IG2-11-CON20	—	20,785
Rhode Island Department of Labor and Training	17.258	IG2-11-CON21	—	74,967
Rhode Island Department of Labor and Training	17.258	IGS-11 ADDENDUM #13	51,155	121,654
National Endowment for the Humanities:				
Passed Through:				
Rhode Island State Council on The Arts	45.024	2019-19706	—	2,692
Department of Veterans Affairs:				
Passed Through:				
Providence VA Medical Center	64.U01	36C24E20R0034	—	39,986
Department of Education				
Preschool Development Grants:				
Passed Through:				
Rhode Island Department of Education	84.419	S419B150033	—	921,909
Department of Health and Human Services:				
Administration for Children and Families				
Passed Through:				
State of Rhode Island	93.558	RIW 18-043	—	136,172
Rhode Island Department of Education	93.575	7127589	—	217,948
Rhode Island Department of Education	93.575	PO3570630	—	(84)
Rhode Island Department of Human Services	93.575	G1901RICCDF	—	(5)
State of Rhode Island	93.667	BHDDH	—	58,508
Administration for Community Living				
Passed Through:				
Administration for Community Living	93.044	17AARIT3SS	—	39,299
Biomedical Advance Research and Development Authority:				
Passed Through:				
Summit (Oxford) Limited	93.360	HHSO100201700014C	—	455
Centers for Disease Control and Prevention				
Passed Through:				
Rhode Island Department of Health	93.070	1NEU1EH001375	—	16,601
International Medical Corps	93.136	NU2GGH002058	—	90,179
Rhode Island Department of Health	93.977	NH25PS005160	—	33,225
Rhode Island Department of Health	93.940	NU62PS924548	—	146,737
Health Resources and Services Administration	93.110	Direct	—	211,312
Health Resources and Services Administration	93.918	Direct	—	820,510
Health Resources and Services Administration	93.255	Direct	—	290,760
COVID-19 HRSA COVID-19 Claims Reimbursement for the Uninsured Program and the COVID-19 Coverage Assistance Fund	93.461	Direct	—	1,710,004
CARES ACT:				
COVID-19 Provider Relief Funds	93.498	Direct	—	115,737,476



LIFESPAN CORPORATION AND AFFILIATES  
Schedule of Expenditures of Federal Awards  
Year ended September 30, 2021

Federal Grantor/Pass-through Grantor	Assistance listing number	Direct award or pass-through entity identifying number	Passed through to subrecipients	Total federal expenditures
National Cancer Institute				
Passed Through:				
NRG Oncology Foundation	93.394	U10CA180866	\$ —	78,062
National Heart, Lung, and Blood Institute:				
Passed Through:				
New York University School of Medicine	93.837	U01HL105907	—	343
Vivonics, Inc.	93.837	W81XWH-17-C-000	—	2,925
New York University School of Medicine	93.838	0T2HL156812	—	1,341
New York University School of Medicine	93.838	0T2HL156812	—	1,532
National Institute on Alcohol Abuse and Alcoholism				
Passed Through:				
Live Inspired, LLC	93.273	1R42AA026788	—	225,206
National Institute of Allergy and Infectious Diseases				
Passed Through:				
Duke University Medical Center	93.855	UM1 AI104681	—	227
National Institute of Environmental Health Sciences				
Passed Through:				
New England Research Institutes, Inc.	93.113	U01HL107407	—	981
National Institutes of Health				
Passed Through:				
Aerpio Pharmaceuticals	93.U01	Protocol No. AKB-9778-CI-	—	65,357
Commonwealth of Massachusetts Department of Mental Health	93.U01	VC6000196659	—	8,754
Covance, Inc.	93.U01	NCT04650087	—	6,296
Covance, Inc.	93.U01	NCT04650087	—	3,483
Duke University Medical Center	93.U01	HHSN-275201800003I	—	6,964
Leidos Biomedical Research, Inc.	93.U01	75N91019D00024	—	1,376
Leidos Biomedical Research, Inc.	93.U01	75N91019D00024	—	29,383
Leidos Biomedical Research, Inc.	93.U01	75N91019D00024	—	1,157
Leidos Biomedical Research, Inc.	93.U01	75N91019D00024	—	22,947
Mayo Clinic Rochester	93.U01	IRB # 20-003312	—	2,495
Nationwide Children's Hospital	93.U01	700063-0320-07	—	2,688
Rhode Island College	93.U01	M054961-19	—	6,278
Lifespan	99.U01	7139268	—	(245)
National Institute of Neurological Disorders and Stroke				
Passed Through:				
Mayo Clinic Jacksonville	93.853	5R01NS097876	—	10,787
University of Cincinnati	93.853	U01NS106513	—	1,466
Substance Abuse and Mental Health Service Administration				
Passed Through:				
Rhode Island Department of Health	93.243	7127490	—	212,746
State of Rhode Island	93.243	H79SM080253	—	737,229
COVID-19- Rhode Island Department of Mental Health	93.665	1H79FG000292	—	162,246
State of Rhode Island	93.788	H79T1081701	—	379,089
Department of the Treasury:				
COVID-19- Coronavirus Relief Fund				
Passed Through:				
State of Rhode Island	21.019	RIH-CRF	—	57,957,479
State of Rhode Island	21.019	EPBH-CRF	—	1,099,531
State of Rhode Island	21.019	TMH-CRF	—	871,794
State of Rhode Island	21.019	NH-CRF	—	7,100,000
Total COVID-19- Coronavirus Relief Fund			—	67,028,804
Total Expenditures of Other Federal Awards			123,162	191,657,988
Total Expenditures of All Federal Awards			\$ 16,529,664	265,300,791

See accompanying notes to schedule of expenditures of federal awards.

**LIFESPAN CORPORATION AND AFFILIATES**  
Notes to Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2021

**(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), and Gateway Healthcare, Inc. (Gateway), 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, 2021 were 63.0%, 48.0%, 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.