

NAME OF PERSON FILING NOTIFICATION

Lifespan Corporation

DATE

April 14, 2021

**Attachment Number 2**

**Item 4(b)-1**



**LIFESPAN CORPORATION AND AFFILIATES**

**Consolidated Financial Statements and Supplementary Information**

**September 30, 2020 and 2019**

**(With Independent Auditors' Reports Thereon)**



**LIFESPAN CORPORATION AND AFFILIATES**  
Consolidated Financial Statements and Supplementary Information  
September 30, 2020 and 2019

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

## Independent Auditors' Report

The Board of Directors  
Lifespan Corporation and Affiliates:

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

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

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Corporation and Affiliates as of September 30, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

### **Emphasis of Matters**

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

**KPMG LLP**

Providence, Rhode Island  
February 25, 2021

**LIFESPAN CORPORATION AND AFFILIATES**

Consolidated Statements of Financial Position

September 30, 2020 and 2019

(In thousands)

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

See accompanying notes to consolidated financial statements.

**LIFESPAN CORPORATION AND AFFILIATES**

Consolidated Statements of Operations and Changes in Net Assets

Years ended September 30, 2020 and 2019

(In thousands)

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

**LIFESPAN CORPORATION AND AFFILIATES**

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

Years ended September 30, 2020 and 2019

(In thousands)

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

See accompanying notes to consolidated financial statements.



**LIFESPAN CORPORATION AND AFFILIATES**

Consolidated Statements of Cash Flows

Years ended September 30, 2020 and 2019

(In thousands)

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

See accompanying notes to consolidated financial statements.

## LIFESPAN CORPORATION AND AFFILIATES

### Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands)

#### (1) Description of Organization

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

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

Affiliated corporations of Lifespan Corp. are as follows:

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



**LIFESPAN CORPORATION AND AFFILIATES****Notes to Consolidated Financial Statements**

September 30, 2020 and 2019

(In thousands)

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

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

**LIFESPAN CORPORATION AND AFFILIATES**

## Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands)

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

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

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

**Charity Care**

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

## LIFESPAN CORPORATION AND AFFILIATES

### Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands)

#### (2) Charity Care and Other Community Benefits (continued)

##### **Medical Education**

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

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

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

## LIFESPAN CORPORATION AND AFFILIATES

### Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands)

#### (2) Charity Care and Other Community Benefits (continued)

##### *Medical Education (continued)*

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

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

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

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



## **LIFESPAN CORPORATION AND AFFILIATES**

### **Notes to Consolidated Financial Statements**

September 30, 2020 and 2019

(In thousands)

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

##### ***Medical Education (continued)***

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

##### ***Research***

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

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

##### ***Subsidized Health Services***

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

##### ***Unreimbursed Medicaid Costs***

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

**LIFESPAN CORPORATION AND AFFILIATES**

**Notes to Consolidated Financial Statements**

September 30, 2020 and 2019

(In thousands)

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

***Community Health Improvement Services and Community Benefit Operations***

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

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

**(a) *Basis of Presentation***

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

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

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

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

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

**LIFESPAN CORPORATION AND AFFILIATES**

**Notes to Consolidated Financial Statements**

**September 30, 2020 and 2019**

**(In thousands)**

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

**(c) Use of Estimates**

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

**(d) Cash and Cash Equivalents**

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

**(e) Patient Accounts Receivable**

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

**LIFESPAN CORPORATION AND AFFILIATES**

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands)

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

**(e) Patient Accounts Receivable (continued)**

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

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

**(f) Investments and Investment Income**

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

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

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



**LIFESPAN CORPORATION AND AFFILIATES**

**Notes to Consolidated Financial Statements**

September 30, 2020 and 2019

(In thousands)

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

**(f) Investments and Investment Income (continued)**

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

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

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

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

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

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

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

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

## **LIFESPAN CORPORATION AND AFFILIATES**

### **Notes to Consolidated Financial Statements**

September 30, 2020 and 2019

(In thousands)

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

##### **(f) Investments and Investment Income (continued)**

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

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

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

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

##### **(h) Property and Equipment**

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

##### **(i) Classification of Net Assets**

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

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

## LIFESPAN CORPORATION AND AFFILIATES

### Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands)

#### (3) Summary of Significant Accounting Policies (continued)

##### (i) *Classification of Net Assets (continued)*

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

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

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

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

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

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

##### (k) *Patient Service Revenue*

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

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

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

**LIFESPAN CORPORATION AND AFFILIATES**

**Notes to Consolidated Financial Statements**

September 30, 2020 and 2019

(In thousands)

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

**(k) Patient Service Revenue (continued)**

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

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

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



**LIFESPAN CORPORATION AND AFFILIATES****Notes to Consolidated Financial Statements**

September 30, 2020 and 2019

(In thousands)

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

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

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

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

**(l) Other Revenues**

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

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

**LIFESPAN CORPORATION AND AFFILIATES**

**Notes to Consolidated Financial Statements**

September 30, 2020 and 2019

(In thousands)

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

**(m) Research Grants and Contracts**

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

**(n) Charity Care**

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

**(o) Donor-Restricted Gifts**

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

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

**(p) Inventories**

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

## LIFESPAN CORPORATION AND AFFILIATES

### Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands)

#### (3) Summary of Significant Accounting Policies (continued)

##### (q) *Estimated Self-Insurance Costs*

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

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

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

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

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

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

##### (t) *Reclassifications*

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

## **LIFESPAN CORPORATION AND AFFILIATES**

### **Notes to Consolidated Financial Statements**

September 30, 2020 and 2019

(In thousands)

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

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

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

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

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



## LIFESPAN CORPORATION AND AFFILIATES

### Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands)

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

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

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

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

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

#### (5) Supplemental Financial Information

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

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

**LIFESPAN CORPORATION AND AFFILIATES**

**Notes to Consolidated Financial Statements**

**September 30, 2020 and 2019**

(In thousands)

**(6) Disproportionate Share**

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

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

**(7) Investments**

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

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

**LIFESPAN CORPORATION AND AFFILIATES**

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands)

**(7) Investments (continued)**

**Fair Value**

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

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

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

**LIFESPAN CORPORATION AND AFFILIATES**

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands)

**(7) Investments (continued)**

**Fair Value (continued)**

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

	<u>2020</u>	<u>Redemption frequency</u>	<u>Days' notice</u>
U.S. equities:			
Large cap growth	\$ 54,304	Monthly	Fourteen
Marketable alternatives:			
Multiple strategies	33,517	Quarterly – Annually	Sixty – Ninety
Long-short equity	17,424	Monthly	Sixty
Absolute return strategies	87,512	Monthly – Annually	Sixty – Ninety
Absolute return strategies	4,431	Illiquid	N/A
International equities:			
Developed markets	55,787	Monthly	Ten – Thirty
Emerging markets	28,918	Monthly	Twenty
Private investments	<u>133,626</u>	Illiquid	N/A
Total investments measured at NAV	415,519		
All other investments	<u>859,216</u>		
Total investments	\$ <u>1,274,735</u>		
	<u>2019</u>	<u>Redemption frequency</u>	<u>Days' notice</u>
U.S. equities:			
Large cap growth	\$ 45,503	Monthly	Fourteen
Marketable alternatives:			
Multiple strategies	33,795	Quarterly – Annually	Sixty – Ninety
Long-short equity	20,391	Monthly	Sixty
Absolute return strategies	133,649	Semi-monthly – Annually	Sixty – Ninety
Absolute return strategies	4,089	Illiquid	N/A
International equities:			
Developed markets	59,847	Monthly	Ten – Thirty
Emerging markets	35,235	Monthly	Twenty
Private investments	<u>70,149</u>	Illiquid	N/A
Total investments measured at NAV	402,658		
All other investments	<u>794,344</u>		
Total investments	\$ <u>1,197,002</u>		

# LIFESPAN CORPORATION AND AFFILIATES

## Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands)

### (7) Investments (continued)

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

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

### Commitments

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

**LIFESPAN CORPORATION AND AFFILIATES**

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands)

**(7) Investments (continued)**

***Endowments***

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

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

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

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

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



**LIFESPAN CORPORATION AND AFFILIATES**

**Notes to Consolidated Financial Statements**

**September 30, 2020 and 2019**

(In thousands)

**(7) Investments (continued)**

***Endowments (continued)***

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

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

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

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

## LIFESPAN CORPORATION AND AFFILIATES

### Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands)

#### (7) Investments (continued)

##### *Endowments (continued)*

##### **(a) Interpretation of Relevant Law**

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

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

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

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

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

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



**LIFESPAN CORPORATION AND AFFILIATES**

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands)

**(7) Investments (continued)**

***Endowments (continued)***

**(d) Spending Policy**

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

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

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

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

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

**(9) Assets Held in Trust**

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

**LIFESPAN CORPORATION AND AFFILIATES****Notes to Consolidated Financial Statements****September 30, 2020 and 2019****(In thousands)****(10) Property and Equipment**

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

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

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

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

## **LIFESPAN CORPORATION AND AFFILIATES**

### **Notes to Consolidated Financial Statements**

September 30, 2020 and 2019

(In thousands)

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

##### ***Pension Benefits***

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

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

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

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

**LIFESPAN CORPORATION AND AFFILIATES**

**Notes to Consolidated Financial Statements**

**September 30, 2020 and 2019**

(In thousands)

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

***Plan Amendments***

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

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

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

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

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



**LIFESPAN CORPORATION AND AFFILIATES**

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands)

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

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

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

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

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

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

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

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



**LIFESPAN CORPORATION AND AFFILIATES**

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands)

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

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

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

**LIFESPAN CORPORATION AND AFFILIATES**

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands)

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

***Net Periodic Pension Cost***

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

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

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

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

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

**LIFESPAN CORPORATION AND AFFILIATES**

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands)

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

***Net Periodic Pension Cost (continued)***

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

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

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

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

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

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

**LIFESPAN CORPORATION AND AFFILIATES**

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands)

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

***Fair Value***

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

	2020			Redemption frequency	Days' notice
	Level 1	Level 2	Total		
U.S. equities:					
Mid-cap value	\$ 9,770	\$ —	\$ 9,770	Daily	One
Large cap value	10,430	—	10,430	Daily	One
Large cap growth	49,055	—	49,055	Daily	One
International equities:					
Developed markets	28,224	42,445	70,669	Daily - Monthly	One - Thirty
Emerging markets	10,811	—	10,811	Daily	One
Real estate	—	7,553	7,553	Monthly	Sixteen
Fixed income:					
U.S. Treasuries	40,536	—	40,536	Daily	One
U.S. Government and agency	—	1,406	1,406	Daily	One
Domestic bonds	13,954	91,099	105,053	Daily	One
Short-term investments	14,965	—	14,965	Daily	One
Fidelity mutual funds	64,430	—	64,430	Daily	One
Total	\$ 242,175	\$ 142,503	\$ 384,678		

	2019			Redemption frequency	Days' notice
	Level 1	Level 2	Total		
U.S. equities:					
Mid-cap value	\$ 13,448	\$ —	\$ 13,448	Daily	One
Large cap value	11,000	—	11,000	Daily	One
Large cap growth	41,929	—	41,929	Daily	One
International equities:					
Developed markets	31,335	37,725	69,060	Daily - Monthly	One - Thirty
Emerging markets	10,900	—	10,900	Daily	One
Commodities:					
Energy	2,957	—	2,957	Daily	One
Various	4,554	—	4,554	Daily	One
Real estate	—	6,225	6,225	Monthly	Sixteen
Fixed income:					
U.S. Treasuries	63,373	—	63,373	Daily	One
U.S. Government and agency	—	801	801	Daily	One
Domestic bonds	—	83,111	83,111	Daily	One
Short-term investments	6,675	—	6,675	Daily	One
Fidelity mutual funds	55,912	—	55,912	Daily	One
Total	\$ 242,083	\$ 127,862	\$ 369,945		

**LIFESPAN CORPORATION AND AFFILIATES**

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands)

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

***Fair Value (continued)***

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

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



**LIFESPAN CORPORATION AND AFFILIATES**

**Notes to Consolidated Financial Statements**

**September 30, 2020 and 2019**

(In thousands)

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

***Expected Cash Flows***

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

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

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

***Other Postretirement Benefits***

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

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

**LIFESPAN CORPORATION AND AFFILIATES**

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands)

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

***Postretirement Benefit Obligations***

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

***Postretirement Funded Status***

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

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

**LIFESPAN CORPORATION AND AFFILIATES**

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands)

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

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

	<u>2020</u>	<u>2019</u>
Accrued postretirement benefit cost:		
Current (included in accrued employee benefits and compensation)	\$ 1,347	\$ 1,383
Noncurrent (included in other liabilities)	<u>12,008</u>	<u>12,348</u>
Total accrued postretirement benefit cost	\$ <u>13,355</u>	\$ <u>13,731</u>
	<u>2020</u>	<u>2019</u>
Accumulated net actuarial gain not yet recognized as a component of net periodic postretirement benefit cost	\$ 1,784	\$ 2,600
Accumulated net periodic postretirement benefit cost	<u>(15,139)</u>	<u>(16,331)</u>
Net amount recognized	\$ <u>(13,355)</u>	\$ <u>(13,731)</u>
	<u>2020</u>	<u>2019</u>
Sources of change in net assets without donor restrictions:		
Net loss arising during the year	\$ (269)	\$ (1,253)
Amortizations:		
Net actuarial gain	<u>(291)</u>	<u>(600)</u>
Total net assets without donor restrictions loss recognized during the year	\$ <u>(560)</u>	\$ <u>(1,853)</u>

**Net Periodic Postretirement Benefit Cost**

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

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

**LIFESPAN CORPORATION AND AFFILIATES**

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands)

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

***Net Periodic Postretirement Benefit Cost (continued)***

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

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

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

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

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

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

***Expected Cash Flows***

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

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

## LIFESPAN CORPORATION AND AFFILIATES

### Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands)

#### (12) Estimated Self-Insurance Costs

##### ***Professional Liability/Medical Malpractice and General Liability***

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

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

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

##### ***Workers' Compensation***

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



**LIFESPAN CORPORATION AND AFFILIATES**

**Notes to Consolidated Financial Statements**

**September 30, 2020 and 2019**

(In thousands)

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

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

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

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

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

**(14) Income Tax Status**

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

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

**LIFESPAN CORPORATION AND AFFILIATES**

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands)

**(15) Long-Term Debt**

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

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

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

On June 14, 2013, RIH, TMH, and Bradley entered into a tax-exempt \$50,000 master lease and loan and security agreement (the 2013 Financing) with a seven-year term, to partially fund the capital costs associated with Lifespan's multi-year information systems conversion project. The 2013 Financing was secured by a priority lien and security interest on the equipment (excluding intellectual property), goods, and other property financed with the proceeds of the 2013 Financing. RIH, TMH, and Bradley were jointly and severally liable for repayment of the 2013 Financing. NH indirectly participated in the 2013 Financing via an intercompany payable of \$4,500 to RIH.

## LIFESPAN CORPORATION AND AFFILIATES

### Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands)

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

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

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

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

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

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

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

**LIFESPAN CORPORATION AND AFFILIATES**

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands)

**(16) Revolving Credit Loan Payable**

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

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

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

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

**(18) Leases**

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

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

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



## **LIFESPAN CORPORATION AND AFFILIATES**

### **Notes to Consolidated Financial Statements**

**September 30, 2020 and 2019**

**(In thousands)**

#### **(19) Concentrations of Credit Risk**

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

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

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

#### **(20) Malpractice and Other Litigation**

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

#### **(21) License Fees**

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



**LIFESPAN CORPORATION AND AFFILIATES**

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands)

**(22) Functional Expenses**

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

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

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

  

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

# LIFESPAN CORPORATION AND AFFILIATES

## Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands)

### (23) Restructuring Costs

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

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

### (24) Promises to Give

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

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

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

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

**LIFESPAN CORPORATION AND AFFILIATES**

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands)

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

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

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

## Independent Auditors' Report on Supplementary Information

**The Board of Directors  
Lifespan Corporation:**

We have audited the consolidated financial statements of Lifespan Corporation and Affiliates as of and for the years ended September 30, 2020 and 2019 and have issued our report thereon dated February 25, 2021 which contained an unmodified opinion on those consolidated financial statements. Our audits were performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating financial information is presented for purposes of additional analysis 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 audits 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 consolidating financial information is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

KPMG LLP

Providence, Rhode Island  
February 25, 2021

LIFESPAN CORPORATION AND AFFILIATES  
Supplementary Consolidating Statement of Financial Position  
September 30, 2020  
(In thousands)

Assets	Lifespan Obligated Group (1)	Newport Hospital Obligated Group (2)	Lifespan Corporation (3)	Lifespan Physician Group, Inc.	Gateway Healthcare, Inc.	NHCC Medical Associates	Lifespan School Solutions	Lifespan Home Medical	Lifespan MSO, Inc.	Newport Health Property Management	Hospital Properties, Inc.	Lifespan Foundations (4)	Newport Health Care Corporation	Total	Eliminations	Consolidated total
Current assets:																
Cash and cash equivalents	\$ 294,251	\$ 23,872	\$ 88,710	\$ 50	\$ 3,629	\$ 199	\$ 143	\$ 5	\$ 2,547	\$ 217	\$ —	\$ —	\$ 4	\$ 413,587	\$ —	\$ 413,587
Prepaid accounts receivable	212,231	11,058	—	8,330	4,841	—	—	392	—	—	—	—	—	236,852	—	236,852
Other receivables	36,638	—	12,246	28,166	—	913	2,865	—	—	9	463	—	—	81,100	(37,187)	43,913
Current portion of contributions receivable, net	5,134	600	—	—	—	—	—	—	—	—	—	28	—	5,662	—	5,662
Total receivables	254,003	11,558	12,246	36,496	4,841	913	2,965	392	—	9	463	28	—	323,614	(37,187)	286,427
Assets limited as to use	—	—	50,288	—	—	—	—	—	—	—	—	—	—	50,288	—	50,288
Inventories	32,449	2,065	—	—	—	—	—	482	—	—	—	—	—	34,996	—	34,996
Prepaid expenses and other current assets	4,513	1,382	13,091	121	89	2	224	8	132	37	—	21	—	19,630	—	19,630
Total current assets	585,216	38,887	164,335	36,667	8,559	1,074	3,032	887	2,679	263	463	49	4	842,115	(37,187)	804,928
Assets limited as to use	886,757	208,729	171,455	—	1,137	—	—	—	—	41	—	6,616	—	1,274,735	—	1,274,735
Less amount required to meet current obligations	—	—	(50,288)	—	—	—	—	—	—	—	—	—	—	(50,288)	—	(50,288)
Noncurrent assets limited as to use	886,757	208,729	121,167	—	1,137	—	—	—	—	41	—	6,616	—	1,224,447	—	1,224,447
Property and equipment, net	721,582	66,732	—	8,002	14,584	—	4,492	32	1,587	3,402	482	—	—	821,005	—	821,005
Other assets:																
Contributions receivable, net	5,322	1,707	—	—	—	—	—	—	—	—	—	14	—	7,043	—	7,043
Other noncurrent assets	1,705	1,094	29,546	745	1,516	—	—	—	(12)	—	—	115	—	34,709	(1,000)	33,709
Total other assets	7,027	2,801	29,546	745	1,516	—	—	—	(12)	—	—	129	—	41,752	(1,000)	40,752
Total assets	\$ 2,200,562	\$ 317,149	\$ 315,048	\$ 45,414	\$ 25,896	\$ 1,074	\$ 7,524	\$ 919	\$ 4,264	\$ 3,708	\$ 945	\$ 6,794	\$ 4	\$ 2,929,319	\$ (38,187)	\$ 2,891,132



**LIFESPAN CORPORATION AND AFFILIATES**  
Supplementary Consolidating Statement of Financial Position (Continued)

September 30, 2020

(In thousands)

Liabilities and Net Assets (Deficit)	Lifespan Obligated Group (1)	Newport Hospital Obligated Group (2)	Lifespan Corporation (3)	Lifespan Physician Group, Inc.	Gateway Healthcare, Inc.	NHCC Medical Associates	Lifespan School Solutions	Lifespan Home Medical	Lifespan MSO, Inc.	Newport Health Property Management	Hospital Properties, Inc.	Lifespan Foundations (4)	Newport Health Care Corporation	Total	Eliminations	Consolidated total
Current liabilities:																
Accounts payable	\$ 99,908	\$ 4,683	\$ 16,275	\$ 2,682	\$ 543	\$ —	\$ 351	\$ 288	\$ 155	\$ 35	\$ —	\$ 6	\$ —	\$ 124,904	\$ —	\$ 124,904
Accrued employee benefits and compensation	73,472	5,907	21,362	25,011	2,172	—	1,012	543	253	—	—	—	—	134,732	—	134,732
Other accrued expenses	93,860	533	4,976	526	2,180	19	920	—	1,780	6	463	(14)	—	105,249	(37,187)	68,062
Current portion of long-term debt	14,285	1,297	—	—	144	—	—	—	—	—	—	—	—	15,726	—	15,726
Current portion of estimated third-party payor settlements	67,979	4,176	—	1,516	—	—	—	—	—	—	—	—	—	73,673	—	73,673
Current portion of estimated malpractice and other self-insurance costs	10,171	781	51,589	1,702	398	—	267	—	131	—	—	—	—	65,039	—	65,039
Total current liabilities	364,675	17,377	94,202	31,439	5,437	19	2,550	808	2,319	41	463	(8)	—	519,323	(37,187)	482,136
Long-term debt, net of current portion	229,147	11,831	—	—	2,473	—	—	—	—	—	—	—	—	243,451	—	243,451
Estimated third-party payor settlements, net of current portion	141,678	7,650	—	—	—	—	—	—	—	—	—	—	—	149,328	—	149,328
Estimated malpractice self-insurance costs, net of current portion	—	—	102,882	10,210	—	—	—	—	—	—	—	—	—	113,092	—	113,092
Accrued pension liability	210,983	22,776	19,743	2,726	404	—	2,002	130	397	—	—	—	—	259,161	—	259,161
Other liabilities	30,505	2,053	42,252	3,414	11,450	—	340	30	95	—	—	3	—	90,153	—	90,153
Total liabilities	976,988	61,697	259,079	47,789	19,764	19	4,892	968	2,811	41	463	(5)	—	1,374,506	(37,187)	1,337,321
Net assets (deficit):																
Net assets (deficit) without donor restrictions	711,416	171,189	55,969	(2,375)	4,932	1,055	2,632	(50)	1,453	3,655	482	971	4	951,323	(1,000)	950,323
Net assets with donor restrictions	512,177	84,283	—	—	1,200	—	—	—	—	—	—	5,828	—	603,488	—	603,488
Total net assets (deficit)	1,223,593	255,472	55,969	(2,375)	6,132	1,055	2,632	(50)	1,453	3,655	482	5,799	4	1,554,811	(1,000)	1,553,811
Total liabilities and net assets	\$ 2,200,582	\$ 317,169	\$ 315,048	\$ 45,414	\$ 25,896	\$ 1,074	\$ 7,524	\$ 918	\$ 4,264	\$ 3,706	\$ 945	\$ 6,794	\$ 4	\$ 2,929,319	\$ (38,187)	\$ 2,891,132

(1) Includes Rhode Island Hospital, The Miriam Hospital, Emma Pendleton Bradley Hospital, Rhode Island Hospital Foundation and The Miriam Hospital Foundation. (See also Supplementary Consolidating Statement of Financial Position – Obligated Groups)

(2) Includes Newport Hospital and Newport Hospital Foundation. (See also Supplementary Consolidating Statement of Financial Position – Obligated Groups)

(3) Includes Lifespan Corporation, R.I. Sound Enterprises Insurance Co. Ltd. and Lifespan Risk Services, Inc.

(4) Includes Bradley Hospital Foundation and Lifespan Foundation

See accompanying independent auditors' report on supplementary information.

**LIFESPAN CORPORATION AND AFFILIATES**  
Supplementary Consolidating Statement of Financial Position – Obligated Groups  
September 30, 2020  
(In thousands)

Assets	Lifespan Obligated Group (1)							Newport Hospital Obligated Group (2)			
	Rhode Island Hospital	The Miriam Hospital	Emma Pendleton Bradley Hospital	RIH Foundation	TMH Foundation	Eliminations	Total	Newport Hospital	Newport Hospital Foundation	Eliminations	Total
Current assets:											
Cash and cash equivalents	\$ 180,880	\$ 101,669	\$ 11,702	\$ —	\$ —	\$ —	\$ 294,251	\$ 23,872	\$ —	\$ —	\$ 23,872
Patient accounts receivable	158,869	44,201	9,161	—	—	—	212,231	11,058	—	—	11,058
Other receivables	28,941	5,685	2,296	—	—	(284)	36,638	—	—	—	—
Current portion of contributions receivable, net	—	—	—	5,003	131	—	5,134	—	500	—	500
Total receivables	187,810	49,886	11,457	5,003	131	(284)	254,003	11,058	500	—	11,558
Inventories	26,338	5,922	189	—	—	—	32,449	2,065	—	—	2,065
Prepaid expenses and other current assets	4,298	166	28	12	9	—	4,513	487	905	—	1,392
Total current assets	399,326	157,643	23,376	5,015	140	(284)	585,216	37,482	1,405	—	38,887
Assets limited as to use	475,685	218,567	77,658	55,004	59,843	—	886,757	97,691	111,038	—	208,729
Less amount required to meet current obligations	—	—	—	—	—	—	—	—	—	—	—
Noncurrent assets limited as to use	475,685	218,567	77,658	55,004	59,843	—	886,757	97,691	111,038	—	208,729
Property and equipment, net	512,249	173,533	35,800	—	—	—	721,582	66,732	—	—	66,732
Other assets:											
Interest in net assets of related Foundation	64,936	60,258	1,037	—	—	(126,231)	—	115,090	—	(115,090)	—
Contributions receivable, net	—	—	—	4,911	411	—	5,322	—	1,707	—	1,707
Other noncurrent assets	1,642	(684)	154	207	386	—	1,705	94	1,000	—	1,094
Total other assets	66,578	59,574	1,191	5,118	797	(126,231)	7,027	115,184	2,707	(115,090)	2,801
Total assets	\$ 1,453,838	\$ 609,317	\$ 138,025	\$ 65,137	\$ 60,780	\$ (126,515)	\$ 2,200,582	\$ 317,089	\$ 115,150	\$ (115,090)	\$ 317,149

**LIFESPAN CORPORATION AND AFFILIATES**  
Supplementary Consolidating Statement of Financial Position – Obligated Groups (Continued)  
September 30, 2020  
(In thousands)

Liabilities and Net Assets	Lifespan Obligated Group (1)							Newport Hospital Obligated Group (2)			
	Rhode Island Hospital	The Miriam Hospital	Emma Pendleton Bradley Hospital	RIH Foundation	TMH Foundation	Eliminations	Total	Newport Hospital	Newport Hospital Foundation	Eliminations	Total
Current liabilities:											
Accounts payable	\$ 76,443	\$ 21,907	\$ 1,248	\$ 146	\$ 164	\$ —	\$ 99,908	\$ 4,683	\$ —	\$ —	\$ 4,683
Accrued employee benefits and compensation	49,886	24,066	4,520	—	—	—	78,472	5,907	—	—	5,907
Other accrued expenses	54,941	35,440	3,422	56	285	(284)	93,860	527	6	—	533
Current portion of long-term debt	10,549	2,628	1,108	—	—	—	14,285	1,297	—	—	1,297
Current portion of estimated third-party payor settlements	48,840	17,988	1,151	—	—	—	67,979	4,176	—	—	4,176
Current portion of estimated malpractice and other self-insurance costs	6,210	3,303	658	—	—	—	10,171	781	—	—	781
Total current liabilities	246,869	105,332	12,107	202	449	(284)	364,675	17,371	6	—	17,377
Long-term debt, net of current portion	169,807	41,741	17,599	—	—	—	229,147	11,831	—	—	11,831
Estimated third-party payor settlements, net of current portion	103,214	38,389	75	—	—	—	141,673	7,650	—	—	7,650
Accrued pension liability	172,903	30,979	7,101	—	—	—	210,983	22,776	—	—	22,776
Other liabilities	24,052	5,091	1,290	—	73	—	30,506	2,009	54	—	2,063
Total liabilities	716,845	221,532	38,172	202	522	(284)	976,989	61,637	60	—	61,697
Net assets:											
Net assets without donor restrictions	352,879	326,474	33,013	3,155	31,684	(35,789)	711,416	171,169	112,686	(112,686)	171,169
Net assets with donor restrictions	384,114	61,311	66,840	61,780	28,574	(90,442)	512,177	84,283	2,404	(2,404)	84,283
Total net assets	736,993	387,785	99,853	64,935	60,258	(126,231)	1,223,593	255,452	115,090	(115,090)	255,452
Total liabilities and net assets	\$ 1,453,838	\$ 609,317	\$ 138,025	\$ 65,137	\$ 60,780	\$ (126,515)	\$ 2,200,582	\$ 317,089	\$ 115,150	\$ (115,090)	\$ 317,149

See accompanying independent auditors' report on supplementary information.

**LIFESPAN CORPORATION AND AFFILIATES**  
Supplementary Consolidating Statement of Financial Position  
September 30, 2019  
(in thousands)

Assets	Lifespan Obligated Group (1)	Newport Hospital Obligated Group (2)	Lifespan Corporation (3)	Lifespan Physician Group, Inc.	Gateway Healthcare, Inc.	NHCC Medical Associates	Lifespan School Solutions	Lifespan Homa Medical	Lifespan MSO, Inc.	Newport Health Property Management	Hospital Properties, Inc.	Lifespan Foundations (4)	Newport Health Care Corporation	Total	Eliminations	Consolidated total
<b>Current assets:</b>																
Cash and cash equivalents	\$ 56,966	\$ 6,122	\$ 49,719	\$ 52	\$ 1,234	\$ 162	\$ 136	\$ —	\$ 1,779	\$ 124	\$ —	\$ —	\$ 4	\$ 118,338	\$ —	\$ 118,338
Patient accounts receivable	213,359	10,450	—	8,198	5,305	—	—	1,057	—	—	—	—	—	238,369	—	238,369
Other receivables	25,636	1,169	27,819	17,577	—	—	2,931	—	—	4	528	—	—	75,664	(46,445)	29,219
Current portion of contributions receivable, net	4,271	864	—	—	—	—	—	—	—	—	—	169	—	5,304	—	5,304
Total receivables	243,266	12,463	27,819	25,775	5,305	—	2,931	1,057	—	4	528	169	—	319,337	(46,445)	272,892
Assets limited as to use	—	—	46,614	—	—	—	—	—	—	—	—	—	—	46,614	—	46,614
Inventories	30,045	2,007	—	—	—	—	—	606	—	—	—	—	—	32,657	—	32,657
Prepaid expenses and other current assets	3,927	751	10,890	151	93	2	286	2	50	37	—	13	—	16,202	—	16,202
Total current assets	336,224	21,363	135,042	25,978	6,632	164	3,353	1,664	1,829	165	528	182	4	533,148	(46,445)	486,703
<b>Assets limited as to use</b>	823,338	206,703	158,472	—	1,048	—	—	—	—	38	—	6,403	—	1,197,002	—	1,197,002
Less amount required to meet current obligations	—	—	(46,614)	—	—	—	—	—	—	—	—	—	—	(46,614)	—	(46,614)
Noncurrent assets limited as to use	823,338	206,703	112,858	—	1,048	—	—	—	—	38	—	6,403	—	1,150,388	—	1,150,388
<b>Property and equipment, net</b>	742,855	66,320	—	6,393	14,841	—	4,596	53	1,391	3,587	482	—	—	840,518	—	840,518
<b>Other assets:</b>																
Contributions receivable, net	6,795	2,465	—	—	—	—	—	—	—	—	—	113	—	9,373	—	9,373
Other noncurrent assets	3,413	2,438	24,001	825	1,372	—	—	—	71	—	—	108	—	32,226	(1,000)	31,226
Total other assets	10,208	4,901	24,001	825	1,372	—	—	—	71	—	—	221	—	41,599	(1,000)	40,599
<b>Total assets</b>	<b>\$ 1,912,625</b>	<b>\$ 259,267</b>	<b>\$ 271,901</b>	<b>\$ 33,196</b>	<b>\$ 23,693</b>	<b>\$ 164</b>	<b>\$ 7,949</b>	<b>\$ 1,717</b>	<b>\$ 3,291</b>	<b>\$ 3,790</b>	<b>\$ 1,010</b>	<b>\$ 6,806</b>	<b>\$ 4</b>	<b>\$ 2,565,653</b>	<b>\$ (47,445)</b>	<b>\$ 2,518,208</b>

**LIFESPAN CORPORATION AND AFFILIATES**  
Supplementary Consolidating Statement of Financial Position (Continued)  
September 30, 2019  
(In thousands)

	Lifespan Obligated Group (1)	Newport Hospital Obligated Group (2)	Lifespan Corporation (3)	Lifespan Physician Group, Inc.	Gateway Healthcare, Inc.	NHCC Medical Associates	Lifespan School Solutions	Lifespan Home Medical	Lifespan MSO, Inc.	Newport Health Property Management	Hospital Properties, Inc.	Lifespan Foundations (4)	Newport Health Care Corporation	Total	Eliminations	Consolidated total
<b>Liabilities and Net Assets (Deficit)</b>																
Current liabilities:																
Accounts payable	\$ 100,103	\$ 5,705	\$ 24,590	\$ 2,556	\$ 398	\$ —	\$ 228	\$ 440	\$ 121	\$ 13	\$ —	\$ 39	\$ —	\$ 134,138	\$ —	\$ 134,138
Accrued employee benefits and compensation	59,844	4,199	16,959	18,415	1,884	12	533	187	190	—	—	—	—	102,223	—	102,223
Other accrued expenses	50,442	917	1,269	—	851	64	2,023	—	1,152	9	526	(10)	—	57,245	(46,445)	10,800
Revolving credit loan payable	20,000	—	—	—	—	—	—	—	—	—	—	—	—	20,000	—	20,000
Current portion of long-term debt	21,108	1,262	—	—	136	—	—	—	—	—	—	—	—	22,506	—	22,506
Current portion of estimated third-party payor settlements	7,521	—	—	633	—	—	—	—	—	—	—	—	—	8,154	—	8,154
Current portion of estimated malpractice and other self-insurance costs	15,926	1,132	46,038	2,217	613	1	359	—	139	—	—	—	—	66,426	—	66,426
Total current liabilities	274,944	13,215	86,857	23,820	3,822	77	3,143	633	1,602	22	526	29	—	410,692	(46,445)	364,247
Long-term debt, net of current portion	246,739	13,128	—	—	2,617	—	—	—	—	—	—	—	—	262,484	—	262,484
Estimated third-party payor settlements, net of current portion	29,138	855	—	—	—	—	—	—	—	—	—	—	—	29,993	—	29,993
Estimated malpractice self-insurance costs, net of current portion	—	—	93,036	8,957	—	—	—	—	—	—	—	—	—	101,993	—	101,993
Accrued pension liability	203,495	22,221	15,607	2,322	362	—	1,789	123	354	—	—	—	—	250,273	—	250,273
Other liabilities	10,089	890	36,094	—	10,952	—	—	—	—	—	—	4	—	57,809	—	57,809
Total liabilities	764,386	50,109	237,594	35,009	17,753	77	4,932	756	1,956	22	526	33	—	1,113,244	(46,445)	1,066,799
Net assets (deficit):																
Net assets (deficit) without donor restrictions	671,481	168,484	34,307	(1,903)	5,029	107	3,017	961	1,335	3,768	482	841	4	887,893	(1,000)	886,893
Net assets with donor restrictions	476,779	80,594	—	—	1,111	—	—	—	—	—	—	5,932	—	564,516	—	564,516
Total net assets (deficit)	1,148,260	249,178	34,307	(1,903)	6,140	107	3,017	961	1,335	3,768	482	6,773	4	1,452,409	(1,000)	1,451,409
Total liabilities and net assets	\$ 1,912,625	\$ 299,287	\$ 271,901	\$ 33,196	\$ 23,893	\$ 184	\$ 7,949	\$ 1,717	\$ 3,291	\$ 3,790	\$ 1,010	\$ 6,806	\$ 4	\$ 2,565,853	\$ (47,445)	\$ 2,518,208

- (1) Includes Rhode Island Hospital, The Miriam Hospital, Emma Pendleton Bradley Hospital, Rhode Island Hospital Foundation and The Miriam Hospital Foundation. (See also Supplementary Consolidating Statement of Financial Position – Obligated Groups)
- (2) Includes Newport Hospital and Newport Hospital Foundation. (See also Supplementary Consolidating Statement of Financial Position – Obligated Groups)
- (3) Includes Lifespan Corporation, R.I. Sound Enterprises Insurance Co. Ltd. and Lifespan Risk Services, Inc.
- (4) Includes Bradley Hospital Foundation and Lifespan Foundation.

See accompanying independent auditors' report on supplementary information.



**LIFESPAN CORPORATION AND AFFILIATES**  
Supplementary Consolidating Statement of Financial Position – Obligated Groups  
September 30, 2019  
(In thousands)

Assets	Lifespan Obligated Group (1)							Newport Hospital Obligated Group (2)			
	Rhode Island Hospital	The Miriam Hospital	Emma Pendleton Bradley Hospital	RIH Foundation	TMH Foundation	Eliminations	Total	Newport Hospital	Newport Hospital Foundation	Eliminations	Total
Current assets:											
Cash and cash equivalents	\$ 25,391	\$ 30,724	\$ 2,871	\$ —	\$ —	\$ —	\$ 58,986	\$ 6,122	\$ —	\$ —	\$ 6,122
Patient accounts receivable	153,743	49,110	10,506	—	—	—	213,359	10,450	—	—	10,450
Other receivables	19,004	3,491	3,508	—	—	(367)	25,636	1,241	—	(72)	1,169
Current portion of contributions receivable, net	—	—	—	4,115	156	—	4,271	—	864	—	864
Total receivables	172,747	52,601	14,014	4,115	156	(367)	243,266	11,691	864	(72)	12,483
Inventories	23,973	5,821	251	—	—	—	30,045	2,007	—	—	2,007
Prepaid expenses and other current assets	3,703	172	32	11	9	—	3,927	447	304	—	751
Total current assets	225,814	89,318	17,168	4,126	165	(367)	336,224	20,267	1,168	(72)	21,363
Assets limited as to use	463,289	176,285	70,079	56,181	57,504	—	823,338	92,616	114,087	—	206,703
Less amount required to meet current obligations	—	—	—	—	—	—	—	—	—	—	—
Noncurrent assets limited as to use	463,289	176,285	70,079	56,181	57,504	—	823,338	92,616	114,087	—	206,703
Property and equipment, net	525,060	179,883	37,912	—	—	—	742,855	66,320	—	—	66,320
Other assets:											
Interest in net assets of related Foundation	68,573	57,966	1,387	—	—	(125,926)	—	118,586	—	(118,586)	—
Contributions receivable, net	—	—	—	6,347	448	—	6,795	—	2,465	—	2,465
Other noncurrent assets	2,301	351	176	224	361	—	3,413	1,436	1,000	—	2,436
Total other assets	68,874	58,317	1,563	6,571	809	(125,926)	10,208	120,022	3,465	(118,586)	4,901
Total assets	\$ 1,283,037	\$ 503,803	\$ 126,722	\$ 66,878	\$ 58,478	\$ (126,293)	\$ 1,912,625	\$ 299,225	\$ 118,720	\$ (118,658)	\$ 299,287

**LIFESPAN CORPORATION AND AFFILIATES**  
Supplementary Consolidating Statement of Financial Position – Obligated Groups (Continued)  
September 30, 2019  
(In thousands)

Liabilities and Net Assets	Lifespan Obligated Group (1)							Newport Hospital Obligated Group (2)			
	Rhode Island Hospital	The Miriam Hospital	Emma Pendleton Bradley Hospital	RIH Foundation	TMH Foundation	Eliminations	Total	Newport Hospital	Newport Hospital Foundation	Eliminations	Total
Current liabilities:											
Accounts payable	\$ 78,903	\$ 19,398	\$ 1,491	\$ 139	\$ 172	\$ —	\$ 100,103	\$ 5,705	\$ —	\$ —	\$ 5,705
Accrued employee benefits and compensation	36,844	20,250	2,750	—	—	—	59,844	4,199	—	—	4,199
Other accrued expenses	38,467	8,095	3,822	166	259	(367)	50,442	917	72	(72)	917
Revolving credit loan payable	20,000	—	—	—	—	—	20,000	—	—	—	—
Current portion of long-term debt	15,367	4,258	1,483	—	—	—	21,108	1,262	—	—	1,262
Current portion of estimated third-party payor settlements	4,746	2,775	—	—	—	—	7,521	—	—	—	—
Current portion of estimated malpractice and other self-insurance costs	10,348	4,603	975	—	—	—	15,926	1,132	—	—	1,132
Total current liabilities	204,675	59,379	10,521	305	431	(367)	274,944	13,215	72	(72)	13,215
Long-term debt, net of current portion	182,793	44,981	18,965	—	—	—	246,739	13,128	—	—	13,128
Estimated third-party payor settlements, net of current portion	25,736	3,327	75	—	—	—	29,138	855	—	—	855
Accrued pension liability	167,608	29,322	6,565	—	—	—	203,495	22,221	—	—	22,221
Other liabilities	9,790	73	125	—	81	—	10,069	628	62	—	690
Total liabilities	590,602	137,082	36,251	305	512	(367)	764,385	50,047	134	(72)	50,109
Net assets:											
Net assets without donor restrictions	327,255	315,876	29,152	3,804	30,802	(35,428)	671,461	168,484	115,095	(115,095)	168,484
Net assets with donor restrictions	365,180	50,845	61,319	62,769	27,164	(90,498)	476,779	80,694	3,491	(3,491)	80,694
Total net assets	692,435	366,721	90,471	66,573	57,966	(125,926)	1,148,240	249,178	118,586	(118,586)	249,178
Total liabilities and net assets	\$ 1,283,037	\$ 503,803	\$ 126,722	\$ 66,878	\$ 58,478	\$ (126,293)	\$ 1,912,625	\$ 299,225	\$ 118,720	\$ (118,658)	\$ 299,287

See accompanying independent auditors' report on supplementary information.

**LIFESPAN CORPORATION AND AFFILIATES**  
Supplementary Consolidating Statement of Operations and Changes in Net Assets  
Year ended September 30, 2020  
(In thousands)

	Lifespan Obligated Group (1)	Newport Hospital Obligated Group (2)	Lifespan Corporation (3)	Lifespan Physician Group, Inc.	Gateway Healthcare, Inc.	NHCC Medical Associates	Lifespan School Solutions	Lifespan Home Medical	Lifespan MSO, Inc.	Newport Health Property Management	Hospital Properties, Inc.	Lifespan Foundations (4)	Newport Health Care Corporation	Total	Eliminations	Consolidated total
Revenues and other support without donor restrictions:																
Patient service revenue	\$ 1,793,296	\$ 106,576	\$ —	\$ 130,359	\$ 28,660	\$ —	\$ —	\$ 2,667	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 2,061,758	\$ (78)	\$ 2,061,682
Other revenues (losses)	215,421	11,337	229,061	101,812	6,427	(10,523)	23,339	60	7,143	420	558	—	—	587,055	(262,462)	324,573
Excess (deficiency) revenues (losses) toward community benefit	14,975	995	—	—	—	—	—	—	—	—	—	—	—	15,970	—	15,970
Net assets released from restrictions used for operations	17,247	2,436	—	—	—	—	—	—	—	—	—	—	—	19,733	—	19,733
Net assets released from restrictions used for research	96,109	—	—	—	—	—	—	—	—	—	—	—	—	96,109	—	96,109
Total revenues and other support without donor restrictions	2,139,048	121,394	229,061	232,171	37,287	(10,523)	23,339	2,727	7,143	420	558	—	—	2,782,625	(262,558)	2,520,067
Operating expenses:																
Compensation and benefits	1,063,758	53,635	125,535	199,633	25,243	7	16,641	1,202	4,577	—	—	—	—	1,500,581	(44,999)	1,455,582
Supplies and other expenses	556,543	17,543	28,977	14,299	4,708	—	5,532	2,122	1,436	218	496	—	—	631,864	2,173	634,037
Purchased services	285,771	16,486	49,032	16,341	5,725	—	607	372	795	115	—	—	—	377,444	(219,732)	157,712
Depreciation and amortization	81,014	7,401	—	1,341	1,082	—	335	20	105	182	72	—	—	91,562	—	91,562
Interest	7,658	413	—	—	161	—	—	—	—	—	—	—	—	8,232	—	8,232
License fees	101,568	6,430	—	—	—	—	—	—	—	—	—	—	—	108,018	—	108,018
Restructuring costs	5,964	1,037	2,552	—	309	—	—	—	—	—	—	—	—	9,862	—	9,862
Total operating expenses	2,102,296	114,995	206,096	231,614	37,228	7	23,315	3,716	6,913	515	558	—	—	2,727,563	(262,558)	2,464,995
Income (loss) from operations	36,752	6,399	22,965	257	59	(10,530)	24	(989)	230	(95)	—	—	—	55,072	—	55,072
Nonoperating gains and losses:																
Gifts and bequests without donor restrictions	1,732	1,565	—	—	7	—	—	—	—	—	—	363	—	3,660	—	3,660
Income (loss) from board-designated investments	206	854	—	(20)	—	—	—	—	—	—	—	5	—	1,052	—	1,052
Net realized gains (losses) on board-designated investments	(1,917)	3,399	—	—	—	—	—	—	—	2	—	48	—	1,502	—	1,502
Non-service periodic pension costs	(25,233)	(3,605)	(3,030)	(237)	(99)	—	(24)	(10)	(24)	—	—	—	—	(32,462)	—	(32,462)
Fundraising expenses	(3,265)	(910)	—	—	—	—	—	—	—	—	—	(317)	—	(4,492)	—	(4,492)
Other nonoperating (losses) gains, net	(1,728)	(1,351)	—	—	33	—	—	—	(20)	(10)	—	—	—	(3,086)	—	(3,086)
Total nonoperating (losses) gains, net	(30,205)	(268)	(3,030)	(257)	(59)	—	(24)	(10)	(44)	(8)	—	99	—	(33,806)	—	(33,806)
Excess (deficiency) of revenues over expenses	\$ 6,547	\$ 6,131	\$ 19,935	\$ —	\$ —	\$ (10,530)	\$ —	\$ (999)	\$ 186	\$ (103)	\$ —	\$ 95	\$ —	\$ 21,266	\$ —	\$ 21,266

**LIFESPAN CORPORATION AND AFFILIATES**  
**Supplementary Consolidating Statement of Operations and Changes in Net Assets (Continued)**  
Year ended September 30, 2020  
(in thousands)

	Lifespan Obligated Group (1)	Newport Hospital Obligated Group (2)	Lifespan Corporation (3)	Lifespan Physician Group, Inc.	Gateway Healthcare, Inc.	NHCC Medical Associates	Lifespan School Solutions	Lifespan Home Medical	Lifespan MSO, Inc.	Newport Health Property Management	Hospital Properties, Inc.	Lifespan Foundations (4)	Newport Health Care Corporation	Total	Eliminations	Consolidated total
Net assets without donor restrictions:																
Excess (deficiency) of revenues over expenses	\$ 6,547	\$ 6,131	\$ 19,835	\$ —	\$ —	\$ (10,530)	\$ —	\$ (999)	\$ 186	\$ (103)	\$ —	\$ 99	\$ —	\$ 21,266	\$ —	\$ 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	5,323	1,397	1,126	(472)	(97)	—	(385)	(12)	(68)	—	—	—	—	6,812	—	6,812
Net assets released from restrictions used for purchase of property and equipment	13,631	1,648	—	—	—	—	—	—	—	—	—	—	—	15,179	—	15,179
Transfer from (to) affiliates	2	(11,478)	—	—	—	11,478	—	—	—	—	(2)	—	—	—	—	—
Other increases (decreases)	37	—	—	—	—	—	—	—	—	(2)	2	—	—	37	—	37
Increase (decrease) in net assets without donor restrictions prior to adoption of ASU 2016-01	25,540	(2,402)	21,081	(472)	(97)	948	(385)	(1,011)	118	(105)	—	99	—	43,294	—	43,294
Cumulative effect of change in accounting principle	14,418	5,087	601	—	—	—	—	—	—	2	—	31	—	20,136	—	20,136
Increase (decrease) in net assets without donor restrictions	39,958	2,685	21,682	(472)	(97)	948	(385)	(1,011)	118	(103)	—	130	—	63,430	—	63,430
Net assets with donor restrictions:																
Gifts, grants, and proceeds	126,944	1,408	—	—	—	—	—	—	—	—	—	2,175	—	130,527	—	130,527
Income from restricted endowment and other resources	2,421	507	—	—	7	—	—	—	—	—	—	38	—	2,973	—	2,973
Investments	(128,987)	(4,034)	—	—	—	—	—	—	—	—	—	—	—	(133,021)	—	(133,021)
Net assets released from restrictions	19,383	2,784	—	—	39	—	—	—	—	—	—	228	—	22,434	—	22,434
Net realized and unrealized gains on investments	2,217	—	—	—	—	—	—	—	—	—	—	(2)	—	—	—	—
Transfers from (to) affiliates	(1,301)	—	—	—	—	—	—	—	—	—	—	(2,217)	—	—	—	—
Fundraising expenses	(722)	—	—	—	—	—	—	—	—	—	—	(89)	—	(811)	—	(811)
Grants to outside agencies	—	(40)	—	—	—	—	—	—	—	—	—	(454)	—	(494)	—	(494)
Other decreases	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Increase (decrease) in net assets with donor restrictions prior to adoption of ASU 2016-01	19,955	625	—	—	46	—	—	—	—	—	—	(321)	—	20,305	—	20,305
Cumulative effect of change in accounting principle	15,443	2,364	—	—	43	—	—	—	—	—	—	217	—	18,667	—	18,667
Increase (decrease) in net assets with donor restrictions	35,398	3,589	—	—	89	—	—	—	—	—	—	(104)	—	38,972	—	38,972
Increase (decrease) in net assets	75,353	6,274	21,682	(472)	(8)	948	(385)	(1,011)	118	(103)	—	28	—	102,402	—	102,402
Net assets (deficit), beginning of year	1,148,240	249,178	34,307	(1,803)	6,140	107	3,017	961	1,335	3,788	482	5,773	4	1,432,409	(1,000)	1,431,409
Net assets (deficit), end of year	\$ 1,223,593	\$ 255,452	\$ 55,989	\$ (2,275)	\$ 6,132	\$ 1,055	\$ 2,632	\$ 601	\$ 1,453	\$ 3,685	\$ 482	\$ 5,799	\$ 4	\$ 1,554,811	\$ (1,000)	\$ 1,553,811

- (1) Includes Rhode Island Hospital, The Miriam Hospital, Emma Pendleton Bradley Hospital, Rhode Island Hospital Foundation and The Miriam Hospital Foundation. (See also Supplementary Consolidating Statement of Operations and Changes in Net Assets – Obligated Groups)
- (2) Includes Newport Hospital and Newport Hospital Foundation. (See also Supplementary Consolidating Statement of Operations and Changes in Net Assets – Obligated Groups)
- (3) Includes Lifespan Corporation, R I Sound Enterprises Insurance Co. Ltd. and Lifespan Risk Services, Inc.
- (4) Includes Bradley Hospital Foundation and Lifespan Foundation

See accompanying independent auditors' report on supplementary information

LIFESPAN CORPORATION AND AFFILIATES

Supplementary Consolidating Statement of Operations and Changes in Net Assets – Obligated Groups

Year ended September 30, 2020

(In thousands)

	Lifespan Obligated Group (1)							Newport Hospital Obligated Group (2)			
	Rhode Island Hospital	The Miriam Hospital	Emma Pendleton Bradley Hospital	RIH Foundation	TMH Foundation	Eliminations	Total	Newport Hospital	Newport Hospital Foundation	Eliminations	Total
Revenues and other support without donor restrictions:											
<b>Patient service revenue</b>	\$ 1,296,523	\$ 423,370	\$ 73,403	\$ —	\$ —	\$ —	\$ 1,793,296	\$ 106,576	\$ —	\$ —	\$ 106,576
Other revenues	167,451	49,955	3,376	—	—	(5,361)	215,421	11,337	—	—	11,337
Endowment earnings contributed toward community benefit	7,832	5,758	1,385	—	—	—	14,975	995	—	—	995
Net assets released from restrictions used for operations	13,987	2,126	1,134	—	—	—	17,247	2,486	—	—	2,486
Net assets released from restrictions used for research	63,906	27,365	6,836	—	—	—	98,109	—	—	—	—
Total revenues and other support without donor restrictions	1,549,701	508,574	86,134	—	—	(5,361)	2,139,048	121,394	—	—	121,394
Operating expenses:											
Compensation and benefits	744,189	260,475	59,094	—	—	—	1,063,758	63,685	—	—	63,685
Supplies and other expenses	429,068	124,465	7,223	—	—	(4,213)	556,543	17,543	—	—	17,543
Purchased services	207,777	67,907	11,235	—	—	(1,148)	285,771	18,486	—	—	18,486
Depreciation and amortization	58,706	19,276	3,032	—	—	—	81,014	7,401	—	—	7,401
Interest	5,637	1,423	598	—	—	—	7,658	413	—	—	413
License fees	75,664	25,924	—	—	—	—	101,588	6,430	—	—	6,430
Restructuring costs	4,322	1,173	469	—	—	—	5,964	1,037	—	—	1,037
Total operating expenses	1,525,363	500,643	81,651	—	—	(5,361)	2,102,296	114,995	—	—	114,995
Income from operations	24,338	7,931	4,483	—	—	—	36,752	6,399	—	—	6,399
Nonoperating gains and losses:											
Gifts and bequests without donor restrictions	—	—	—	1,099	633	—	1,732	—	1,585	—	1,585
Income from board-designated investments	—	—	—	22	184	—	206	113	741	—	854
Net realized (losses) gains on board-designated investments	(3,218)	1,049	323	92	(163)	—	(1,917)	(401)	3,770	—	3,369
Nonservice periodic pension costs	(21,233)	(3,171)	(829)	—	—	—	(25,233)	(3,805)	—	—	(3,805)
Fundraising expenses	—	—	(300)	(2,000)	(965)	—	(3,265)	—	(910)	—	(910)
Other nonoperating losses, net	(599)	(1,129)	—	—	—	—	(1,728)	(1,326)	(35)	—	(1,361)
Total nonoperating (losses) gains, net	(25,050)	(3,251)	(806)	(787)	(311)	—	(30,205)	(5,419)	5,151	—	(268)
Excess (deficiency) of revenues over expenses	\$ (712)	\$ 4,680	\$ 3,677	\$ (787)	\$ (311)	\$ —	\$ 6,547	\$ 980	\$ 5,151	\$ —	\$ 6,131



**LIFESPAN CORPORATION AND AFFILIATES**

Supplementary Consolidating Statement of Operations and Changes in Net Assets – Obligated Groups (Continued)

Year ended September 30, 2020

(In thousands)

	Lifespan Obligated Group (1)						Newport Hospital Obligated Group (2)				
	Rhode Island Hospital	The Miriam Hospital	Emma Pendleton Bradley Hospital	RIH Foundation	TMH Foundation	Eliminations	Lifespan Obligated Group	Newport Hospital	Newport Hospital Foundation	Eliminations	Total
Net assets without donor restrictions:											
Excess (deficiency) of revenues over expenses	\$ (712)	\$ 4,680	\$ 3,677	\$ (787)	\$ (311)	\$ —	\$ 6,547	\$ 980	\$ 5,151	\$ —	\$ 6,131
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	7,732	(1,861)	(548)	—	—	—	5,323	1,397	—	—	1,397
Net assets released from restrictions used for purchase of property and equipment	12,821	617	193	—	—	—	13,631	1,548	—	—	1,548
(Decrease) increase in net assets of related Foundation	(649)	882	128	—	—	(361)	—	(2,409)	—	2,409	—
Transfers from (to) affiliates	2	—	—	—	—	—	2	492	(11,970)	—	(11,478)
Other increases (decreases)	37	—	—	—	—	—	37	1	(1)	—	—
Increase (decrease) in net assets without donor restrictions prior to adoption of ASU 2016-01	19,231	4,318	3,450	(787)	(311)	(361)	25,540	2,009	(6,820)	2,409	(2,402)
Cumulative effect of change in accounting principle	6,393	6,280	411	138	1,193	—	14,415	676	4,411	—	5,087
Increase (decrease) in net assets without donor restrictions	25,624	10,598	3,861	(649)	882	(361)	39,955	2,685	(2,409)	2,409	2,685
Net assets with donor restrictions:											
Gifts, grants, and bequests	69,894	33,789	10,626	11,076	1,559	—	126,944	55	1,353	—	1,408
Income from restricted endowment and other restricted investments	1,674	184	48	335	180	—	2,421	498	9	—	507
Net assets released from restrictions	(90,716)	(30,108)	(8,163)	—	—	—	(128,987)	(4,034)	—	—	(4,034)
Net realized and unrealized gains on investments	13,181	2,135	1,217	1,683	967	—	19,383	2,784	—	—	2,784
Transfers from (to) affiliates	14,775	2,116	1,997	(14,565)	(2,106)	—	2,217	2,441	(2,441)	—	—
(Decrease) increase in net assets of related Foundation	(989)	1,410	(477)	—	—	56	—	(1,087)	—	1,087	—
Fundraising expenses	—	—	—	(1,301)	—	—	(1,301)	—	—	—	—
Grants to outside agencies	—	—	—	(431)	(291)	—	(722)	—	—	—	—
Other decreases	—	—	—	—	—	—	—	(32)	(8)	—	(40)
Increase (decrease) in net assets with donor restrictions prior to adoption of ASU 2016-01	7,819	9,526	5,248	(3,003)	309	56	19,555	625	(1,087)	1,087	625
Cumulative effect of change in accounting principle	11,115	940	273	2,014	1,101	—	15,443	2,964	—	—	2,964
Increase (decrease) in net assets with donor restrictions	18,934	10,466	5,521	(989)	1,410	56	35,398	3,589	(1,087)	1,087	3,589
Increase (decrease) in net assets	44,558	21,064	9,382	(1,638)	2,292	(305)	75,353	6,274	(3,496)	3,496	6,274
Net assets, beginning of year	662,435	366,721	90,471	66,573	57,966	(125,926)	1,148,240	249,178	118,586	(118,586)	249,178
Net assets, end of year	\$ 736,993	\$ 387,785	\$ 99,853	\$ 64,935	\$ 60,258	\$ (126,231)	\$ 1,223,593	\$ 255,452	\$ 115,090	\$ (115,090)	\$ 255,452

See accompanying independent auditors' report on supplementary information.

**LIFESPAN CORPORATION AND AFFILIATES**  
Supplementary Consolidating Statement of Operations and Changes in Net Assets  
Year ended September 30, 2019  
(in thousands)

	Lifespan Obligated Group (1)	Newport Hospital Obligated Group (2)	Lifespan Corporation (3)	Lifespan Physician Group, Inc.	Gateway Healthcare, Inc.	NHCC Medical Associates	Lifespan School Solutions	Lifespan Home Medical	Lifespan MSO, Inc.	Newport Health Property Management	Hospital Properties, Inc.	Lifespan Foundations (4)	Newport Health Care Corporation	Total	Eliminations	Consolidated total
Revenues and other support without donor restrictions:																
Patient service revenue	\$ 1,834,365	\$ 111,880	\$ —	\$ 129,820	\$ 29,464	\$ —	\$ —	\$ 2,776	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 2,108,305	\$ (89)	\$ 2,108,216
Other revenues (losses)	71,755	3,269	213,430	51,498	4,504	(10,215)	23,049	2	5,975	417	625	—	—	405,310	(246,023)	156,387
Endowment earnings contributed toward community benefit	14,749	998	—	—	—	—	—	—	—	—	—	—	—	15,747	—	15,747
Net assets released from restrictions used for operations	20,411	2,131	—	—	7	—	—	—	—	—	—	—	—	22,549	—	22,549
Net assets released from restrictions used for research	92,264	—	—	—	—	—	—	—	—	—	—	—	—	92,264	—	92,264
Total revenues and other support without donor restrictions	2,033,544	118,278	213,430	221,319	33,975	(10,215)	23,049	2,778	6,975	417	625	—	—	2,644,175	(249,012)	2,395,163
Operating expenses:																
Compensation and benefits	1,051,552	65,574	127,227	191,540	25,523	323	16,865	1,248	4,481	—	—	—	—	1,465,030	(41,324)	1,443,706
Supplies and other expenses	526,628	19,326	32,838	12,468	4,849	11	5,156	947	1,316	254	367	—	—	606,368	8,096	614,464
Purchased services	285,698	16,517	44,895	16,366	5,590	—	689	1,277	846	128	—	—	—	374,406	(214,873)	159,535
Depreciation and amortization	79,555	7,231	—	777	1,238	—	343	11	109	165	69	—	—	89,494	—	89,494
Interest	8,242	489	—	—	1,091	—	—	—	—	—	—	—	—	9,792	(913)	8,879
Licenses fees	96,103	5,997	—	—	—	—	—	—	—	—	—	—	—	102,100	—	102,100
Total operating expenses	2,050,079	117,104	204,960	221,151	39,091	330	23,063	3,488	6,752	547	625	—	—	2,667,190	(249,012)	2,418,178
Change income from operations	(16,535)	1,174	8,470	168	(5,116)	(10,545)	(14)	(710)	223	(130)	—	—	—	(23,015)	—	(23,015)
Nonoperating gains and losses:																
Gifts and bequests without donor restrictions	1,946	715	—	—	—	—	—	—	—	—	—	619	—	3,280	—	3,280
Income (loss) from board-designated investments	254	1,084	1,416	(30)	13	—	—	—	—	—	—	—	—	2,741	—	2,741
Net realized gains (losses) on board-designated investments	(34)	3,331	—	—	—	—	—	—	—	2	—	24	—	3,923	—	3,923
Nonrecurring periodic pension costs	(12,424)	(2,135)	(1,269)	(138)	(65)	—	14	(7)	(18)	—	—	—	—	(15,044)	—	(15,044)
Fundraising expenses	(3,176)	(1,310)	—	—	—	—	—	—	—	—	—	(517)	—	(5,203)	—	(5,203)
Other nonoperating gains (losses), net	9,163	14	(9,548)	—	(192)	—	—	—	(57)	—	—	—	—	(620)	—	(620)
Total nonoperating (losses) gains, net	(4,471)	2,299	(9,402)	(168)	(244)	—	14	(9)	(75)	2	—	131	—	(11,923)	—	(11,923)
(Deficiency) excess of revenues over expenses	\$ (21,006)	\$ 3,473	\$ (932)	\$ —	\$ (5,360)	\$ (10,545)	\$ —	\$ (719)	\$ 148	\$ (128)	\$ —	\$ 131	\$ —	\$ (34,938)	\$ —	\$ (34,938)

**LIFESPAN CORPORATION AND AFFILIATES**  
**Supplementary Consolidating Statement of Operations and Changes in Net Assets (Continued)**  
Year ended September 30, 2019  
(In thousands)

	Lifespan Obligated Group (1)	Newport Hospital Obligated Group (2)	Lifespan Corporation (3)	Lifespan Physician Group, Inc.	Gateway Healthcare, Inc.	NHCC Medical Associates	Lifespan School Solutions	Lifespan Home Medical	Lifespan MSO, Inc.	Newport Health Property Management	Hospital Properties, Inc.	Lifespan Foundations (4)	Newport Health Care Corporation	Total	Eliminations	Consolidated total
<b>Net assets without donor restrictions:</b>																
(Deficiency) excess of revenues over expenses	\$ (21,006)	\$ 3,473	\$ (932)	\$ —	\$ (5,360)	\$ (10,545)	\$ —	\$ (719)	\$ 148	\$ (128)	\$ —	\$ 131	\$ —	\$ (34,938)	\$ —	\$ (34,938)
<b>Other changes in net assets without donor restrictions:</b>																
Change in funded status of pension and other postretirement plans, other than net periodic pension and postretirement benefit costs	(53,330)	(5,724)	(6,310)	(713)	(167)	—	(761)	(31)	(130)	—	—	—	—	(67,166)	—	(67,166)
Net change in unrealized losses on investments	(10,588)	(3,404)	(2,436)	—	—	—	—	—	—	—	—	(18)	—	(16,446)	—	(16,446)
Net assets released from restrictions used for purchase of property and equipment	4,795	7,374	—	—	—	—	—	—	—	—	—	—	—	12,169	—	12,169
Transfer (to) from affiliates	(95)	(10,920)	—	—	—	10,075	—	—	—	845	98	—	—	—	—	—
Equity transfers (to) from affiliates	(18,842)	(7,410)	(19,949)	—	29,243	7,376	—	9,548	—	34	—	—	—	—	—	—
Other decreases	—	(78)	(20)	—	—	—	—	—	—	—	—	—	—	(98)	—	(98)
(Decrease) increase in net assets without donor restrictions	(90,066)	(16,689)	(29,647)	(713)	23,716	6,906	(761)	8,798	18	751	95	113	—	(106,479)	—	(106,479)
<b>Net assets with donor restrictions:</b>																
Gifts, grants, and bequests	116,077	2,962	—	—	4	—	—	—	—	—	—	1,500	—	120,543	—	120,543
Income from restricted endowments and other restricted investments	2,910	615	—	—	—	—	—	—	—	—	—	45	—	3,570	—	3,570
Net assets released from restrictions	(117,470)	(9,505)	—	—	(7)	—	—	—	—	—	—	—	—	(126,982)	—	(126,982)
Net realized and unrealized gains on investments	7,505	999	—	—	22	—	—	—	—	—	—	83	—	8,609	—	8,609
Transfers from (to) affiliates	1,301	—	—	—	—	—	—	—	—	—	—	(1,301)	—	—	—	—
Fundraising expenses	(1,861)	—	—	—	—	—	—	—	—	—	—	(27)	—	(1,888)	—	(1,888)
Grants to outside agencies	(733)	—	—	—	—	—	—	—	—	—	—	(398)	—	(1,131)	—	(1,131)
Other decreases	—	(42)	—	—	—	—	—	—	—	—	—	—	—	(42)	—	(42)
Increase (decrease) in net assets with donor restrictions	7,729	(4,971)	—	—	19	—	—	—	—	—	—	(58)	—	2,679	—	2,679
(Decrease) increase in net assets	(91,337)	(21,660)	(29,647)	(713)	23,735	6,906	(761)	8,798	18	751	95	15	—	(103,800)	—	(103,800)
<b>Net assets (deficit), beginning of year</b>	<b>1,239,577</b>	<b>270,838</b>	<b>63,354</b>	<b>(1,190)</b>	<b>(17,595)</b>	<b>(6,799)</b>	<b>3,778</b>	<b>(7,837)</b>	<b>1,317</b>	<b>3,017</b>	<b>367</b>	<b>6,738</b>	<b>4</b>	<b>1,556,209</b>	<b>(1,000)</b>	<b>1,555,209</b>
<b>Net assets (deficit), end of year</b>	<b>\$ 1,148,240</b>	<b>\$ 249,178</b>	<b>\$ 34,307</b>	<b>\$ (1,903)</b>	<b>\$ 6,140</b>	<b>\$ 107</b>	<b>\$ 3,017</b>	<b>\$ 961</b>	<b>\$ 1,335</b>	<b>\$ 3,768</b>	<b>\$ 462</b>	<b>\$ 6,773</b>	<b>\$ 4</b>	<b>\$ 1,452,409</b>	<b>\$ (1,000)</b>	<b>\$ 1,451,409</b>

(1) Includes Rhode Island Hospital, The Miriam Hospital, Emma Pendleton Bradley Hospital, Rhode Island Hospital Foundation and The Miriam Hospital Foundation. (See also Supplementary Consolidating Statement of Operations and Changes in Net Assets - Obligated Groups)

(2) Includes Newport Hospital and Newport Hospital Foundation. (See also Supplementary Consolidating Statement of Operations and Changes in Net Assets - Obligated Groups)

(3) Includes Lifespan Corporation, R1 Sound Enterprises Insurance Co. Ltd. and Lifespan Risk Services, Inc.

(4) Includes Bradley Hospital Foundation and Lifespan Foundation

\* See accompanying independent auditors' report on supplementary information

LIFESPAN CORPORATION AND AFFILIATES

Supplementary Consolidating Statement of Operations and Changes in Net Assets – Obligated Groups

Year ended September 30, 2019

(In thousands)

	Lifespan Obligated Group (1)							Newport Hospital Obligated Group (2)			
	Rhode Island Hospital	The Miriam Hospital	Emma Pendleton Bradley Hospital	RIH Foundation	TMH Foundation	Eliminations	Total	Newport Hospital	Newport Hospital Foundation	Eliminations	Total
Revenues and other support without donor restrictions:											
<b>Patient service revenue</b>	\$ 1,302,240	\$ 462,907	\$ 69,218	\$ —	\$ —	\$ —	\$ 1,834,365	\$ 111,880	\$ —	\$ —	\$ 111,880
Other revenues	58,404	14,627	4,076	—	—	(5,352)	71,755	3,269	—	—	3,269
Endowment earnings contributed toward community benefit	8,262	5,149	1,338	—	—	—	14,749	998	—	—	998
Net assets released from restrictions used for operations	14,620	5,026	765	—	—	—	20,411	2,131	—	—	2,131
<b>Net assets released from restrictions used for research</b>	61,852	23,231	7,181	—	—	—	92,264	—	—	—	—
Total revenues and other support without donor restrictions	1,445,378	510,940	82,578	—	—	(5,352)	2,033,544	118,278	—	—	118,278
Operating expenses:											
Compensation and benefits	732,522	260,920	58,410	—	—	—	1,051,852	65,574	—	—	65,574
Supplies and other expenses	402,928	122,907	6,998	—	—	(4,204)	528,629	19,326	—	—	19,326
Purchased services	206,628	69,084	11,134	—	—	(1,148)	285,698	18,517	—	—	18,517
Depreciation and amortization	57,415	19,122	3,018	—	—	—	79,555	7,231	—	—	7,231
Interest	6,065	1,537	640	—	—	—	8,242	459	—	—	459
License fees	71,815	24,288	—	—	—	—	96,103	5,997	—	—	5,997
Total operating expenses	1,477,373	497,858	80,200	—	—	(5,352)	2,050,079	117,104	—	—	117,104
(Loss) income from operations	(31,995)	13,082	2,378	—	—	—	(16,535)	1,174	—	—	1,174
Nonoperating gains and losses:											
Gifts and bequests without donor restrictions	—	—	—	1,120	826	—	1,946	—	715	—	715
Income from board-designated investments	—	—	—	28	226	—	254	137	947	—	1,084
Net realized (losses) gains on board-designated investments	(2,088)	1,725	352	158	(181)	—	(34)	(340)	4,271	—	3,931
Nonservice periodic pension costs	(10,425)	(1,502)	(497)	—	—	—	(12,424)	(2,135)	—	—	(2,135)
Fundraising expenses	—	—	(308)	(1,967)	(1,101)	—	(3,376)	—	(1,310)	—	(1,310)
Other nonoperating (losses) gains, net	(298)	9,461	—	—	—	—	9,163	—	14	—	14
Total nonoperating (losses) gains, net	(12,811)	9,684	(453)	(661)	(230)	—	(4,471)	(2,338)	4,637	—	2,299
(Deficiency) excess of revenues over expenses	\$ (44,806)	\$ 22,766	\$ 1,925	\$ (661)	\$ (230)	\$ —	\$ (21,006)	\$ (1,164)	\$ 4,637	\$ —	\$ 3,473

**LIFESPAN CORPORATION AND AFFILIATES**

Supplementary Consolidating Statement of Operations and Changes in Net Assets – Obligated Groups (Continued)

Year ended September 30, 2019

(In thousands)

	Lifespan Obligated Group (1)						Newport Hospital Obligated Group (2)				
	Rhode Island Hospital	The Miriam Hospital	Emma Pendleton Bradley Hospital	RIH Foundation	TMH Foundation	Eliminations	Lifespan Obligated Group	Newport Hospital	Newport Hospital Foundation	Eliminations	Total
Net assets without donor restrictions:											
(Deficiency) excess of revenues over expenses	\$ (44,806)	\$ 22,766	\$ 1,925	\$ (661)	\$ (230)	\$ —	\$ (21,006)	\$ (1,164)	\$ 4,637	\$ —	\$ 3,473
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	(41,811)	(9,584)	(1,935)	—	—	—	(53,330)	(5,724)	—	—	(5,724)
Net change in unrealized losses on investments	(5,885)	(3,603)	(264)	(98)	(738)	—	(10,588)	(418)	(2,986)	—	(3,404)
Net assets released from restrictions used for purchase of property and equipment	3,031	1,231	533	—	—	—	4,795	7,374	—	—	7,374
(Decrease) increase in net assets of related Foundation	(759)	(968)	107	—	—	1,620	—	(9,046)	—	9,046	—
Transfers to affiliates	(95)	—	—	—	—	—	(95)	(223)	(10,697)	—	(10,920)
Equity transfers to affiliates	(8,552)	(9,548)	(742)	—	—	—	(18,842)	(7,410)	—	—	(7,410)
Other decreases	—	—	—	—	—	—	—	(78)	—	—	(78)
(Decrease) increase in net assets without donor restrictions	(98,877)	294	(375)	(759)	(968)	1,620	(99,066)	(16,689)	(9,046)	9,046	(16,689)
Net assets with donor restrictions:											
Gifts, grants, and bequests	66,642	26,149	7,396	14,234	1,656	—	116,077	57	2,905	—	2,962
Income from restricted endowment and other restricted investments	2,030	187	44	435	214	—	2,910	606	9	—	615
Net assets released from restrictions	(79,503)	(29,488)	(8,479)	—	—	—	(117,470)	(9,505)	—	—	(9,505)
Net realized and unrealized gains (losses) on investments	7,007	270	(953)	778	403	—	7,505	999	—	—	999
Transfers from (to) affiliates	10,267	1,845	1,091	(10,057)	(1,845)	—	1,301	2,905	(2,905)	—	—
Increase (decrease) in net assets of related Foundation	3,093	131	(19)	—	—	(3,205)	—	(12)	—	12	—
Fundraising expenses	—	—	—	(1,861)	—	—	(1,861)	—	—	—	—
Grants to outside agencies	—	—	—	(436)	(297)	—	(733)	—	—	—	—
Other decreases	—	—	—	—	—	—	—	(21)	(21)	—	(42)
Increase (decrease) in net assets with donor restrictions	9,536	(906)	(920)	3,093	131	(3,205)	7,729	(4,971)	(12)	12	(4,971)
(Decrease) increase in net assets	(89,341)	(612)	(1,296)	2,334	(837)	(1,585)	(91,337)	(21,660)	(9,058)	9,058	(21,660)
Net assets, beginning of year	781,776	367,333	91,767	64,239	58,803	(124,341)	1,239,577	270,838	127,644	(127,644)	270,838
Net assets, end of year	\$ 692,435	\$ 366,721	\$ 90,471	\$ 66,573	\$ 57,966	\$ (125,926)	\$ 1,148,240	\$ 249,178	\$ 118,586	\$ (118,586)	\$ 249,178

See accompanying independent auditors' report on supplementary information.