

# **Christiana Care Health System and Affiliates**

**Report on Federal Awards in  
Accordance with the Uniform Guidance  
June 30, 2021  
Federal Entity Identification Numbers  
52-1479538, 52-0607945, and  
51-0103684**

**Christiana Care Health System and Affiliates**  
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**June 30, 2021**

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**Part I**

**Consolidated Financial Statements and Schedule of  
Expenditures of Federal Awards**



## Report of Independent Auditors

To the Board of Directors of  
Christiana Care Health System and Affiliates

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Christiana Care Health System and Affiliates (the "System"), which comprise the consolidated balance sheets as of June 30, 2021 and 2020, and the related consolidated statements of operations and changes in net assets and consolidated statements of cash flows for the years then ended, and the related notes to the financial statements.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; 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 the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our 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, we consider internal control relevant to the System'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 System'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 Christiana Care Health System and Affiliates as of June 30, 2021 and 2020, and the results of their operations, changes in their net assets, and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



## **Other Matters**

### *Other Information (Supplemental Consolidating Information)*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The condensed consolidating 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 condensed consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the condensed consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole. The condensed consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations and changes in net assets and cash flows of the individual entities and is not a required part of the consolidated financial statements. Accordingly, we do not express an opinion on the financial position, results of operations and changes in net assets and cash flows of the individual entities.

### *Other Information (Schedule of Expenditures of Federal Awards)*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards for the year ended June 30, 2021 presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the consolidated financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2021 on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters for the year ended June 30, 2021. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

*PricewaterhouseCoopers LLP*

Philadelphia, Pennsylvania  
September 23, 2021

**Christiana Care Health System and Affiliates**  
**Consolidated Balance Sheets**  
**June 30, 2021 and 2020**

	2021	2020
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 506,672,453	\$ 515,431,278
Short-term investments	191,331,183	247,613,445
Patient accounts receivable, net	332,780,574	282,226,804
Assets limited as to use	534,927	49,854,384
Other current assets	80,475,543	82,418,521
Total current assets	1,111,794,680	1,177,544,432
Assets limited as to use	26,961,704	27,686,094
Long-term investments	2,383,185,982	1,802,167,672
Property and equipment, net	1,237,722,709	1,242,133,508
Other assets	161,805,162	82,810,557
Total assets	\$ 4,921,470,237	\$ 4,332,342,263
<b>Liabilities and Net Assets</b>		
Current liabilities		
Current portion of long-term debt	\$ 6,964,776	\$ 56,660,577
Current portion of finance lease liabilities	5,173,149	5,238,832
Accounts payable and accrued expenses	416,733,102	331,237,481
Advances from third party payors	226,498,764	275,315,430
Total current liabilities	655,369,791	668,452,320
Long-term debt, net of current portion	357,471,276	366,568,616
Finance leases, net of current portion	115,899,246	120,745,753
Pension and postretirement benefits	181,304,881	191,547,090
Other liabilities	115,687,256	104,887,819
Total liabilities	1,425,732,450	1,452,201,598
Net assets		
Without donor restrictions	3,427,506,497	2,819,368,848
With donor restrictions		
Purpose and time restricted	32,143,974	27,126,804
Perpetual in nature	36,087,316	33,645,012
Total net assets with donor restrictions	68,231,290	60,771,816
Total net assets	3,495,737,787	2,880,140,664
Total liabilities and net assets	\$ 4,921,470,237	\$ 4,332,342,263

The accompanying notes are an integral part of these consolidated financial statements.

**Christiana Care Health System and Affiliates**  
**Consolidated Statements of Operations and Changes in Net Assets**  
**Years Ended June 30, 2021 and 2020**

	2021	2020
<b>Operating revenues and other support</b>		
Net patient service revenue	\$ 2,390,747,147	\$ 1,989,423,676
Other revenue	169,308,312	117,620,863
Net assets released from donor restrictions used for operations	6,432,647	6,325,286
Total operating revenues and other support	<u>2,566,488,106</u>	<u>2,113,369,825</u>
<b>Operating expenses</b>		
Salaries and employee benefits	1,462,786,971	1,350,461,982
Supplies and other expenses	779,839,924	677,234,007
Interest expense	13,098,088	7,413,183
Depreciation expense	125,802,435	112,450,248
Total operating expenses	<u>2,381,527,418</u>	<u>2,147,559,420</u>
Operating (loss) income	<u>184,960,688</u>	<u>(34,189,595)</u>
<b>Nonoperating revenues, gains, and losses</b>		
Investment return, net	511,956,588	142,283,346
Contribution received in acquisition of Affinity Health Alliance, Inc.	-	92,724,484
Other nonoperating (losses), revenues, and gains	(19,452,646)	(12,309,386)
Settlement charge	(51,739,432)	-
Special termination benefit charge	(39,219,989)	-
Total nonoperating revenues, gains, and losses	<u>401,544,521</u>	<u>222,698,444</u>
Excess of revenues over expenses	<u>\$ 586,505,209</u>	<u>\$ 188,508,848</u>

(continued on next page)

The accompanying notes are an integral part of these consolidated financial statements.

**Christiana Care Health System and Affiliates**  
**Consolidated Statements of Operations and Changes in Net Assets**  
**Years Ended June 30, 2021 and 2020**

	2021	2020
<b>Change in net assets without donor restrictions</b>		
Excess of revenues over expenses	\$ 586,505,209	\$ 188,508,848
Net assets released from donor restrictions used for purchase of property and equipment	2,315,839	9,492,801
Other changes in pension and postretirement liabilities	19,316,601	(68,417,452)
Increase in net assets without donor restrictions	<u>608,137,649</u>	<u>129,584,198</u>
<b>Change in net assets with donor restrictions</b>		
Contributions	6,376,534	10,093,620
Contribution received in acquisition of Affinity Health Alliance, Inc.	-	3,063,684
Investment return, net	7,599,108	2,078,231
Net assets released from donor restrictions	(8,748,486)	(15,818,087)
Change in value of assets	2,232,318	(33,669)
Increase (Decrease) in net assets with donor restrictions	<u>7,459,474</u>	<u>(616,221)</u>
Increase in net assets	615,597,123	128,967,978
<b>Net assets</b>		
Beginning of year	<u>2,880,140,664</u>	<u>2,751,172,687</u>
End of year	<u>\$ 3,495,737,787</u>	<u>\$ 2,880,140,664</u>

The accompanying notes are an integral part of these consolidated financial statements.



**Christiana Care Health System and Affiliates**  
**Consolidated Statements of Cash Flows**  
**Years Ended June 30, 2021 and 2020**

	2021	2020
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 615,597,123	\$ 128,967,978
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Contribution received in Affinity acquisition	-	(95,788,168)
Depreciation and amortization	123,427,343	111,638,295
Net realized and unrealized (gains) losses on investments	(496,147,014)	(113,446,537)
Restricted contributions received	(3,371,908)	(10,598,069)
Other changes in pension and postretirement benefits	(19,316,601)	68,417,452
(Increase) decrease in		
Patient accounts receivable	(50,553,770)	44,820,676
Other current assets	1,942,978	(9,496,734)
Other assets	10,601,364	(15,413,069)
Increase (decrease) in		
Accounts payable, accrued salaries, and other accrued expenses	72,421,298	9,172,269
Advances from third party payers	(48,816,666)	275,315,430
Pension and postretirement benefits	10,727,569	36,189,728
Other liabilities	(3,641,209)	57,806,273
Net cash provided by operating activities	<u>212,870,507</u>	<u>487,585,524</u>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(112,546,878)	(163,486,837)
Proceeds from sale of investments and assets limited as to use	1,472,356,666	1,197,446,915
Purchase of investments and assets limited as to use	(1,450,901,853)	(1,205,471,619)
Purchase of other third party investments	(36,951,500)	-
Cash received from Affinity acquisition	-	9,577,892
Loan made to third party	(39,050,000)	(3,700,000)
Net cash used in investing activities	<u>(167,093,565)</u>	<u>(165,633,649)</u>
<b>Cash flows from financing activities</b>		
Net borrowings under line of credit agreement	(49,824,057)	50,000,000
Proceeds from issuance of long-term debt	-	264,915,000
Repayment of long-term debt	(6,527,408)	(242,254,227)
Payment of debt issuance costs	-	(1,130,609)
Principal payments under finance leases	(4,066,914)	(2,018,515)
Restricted contributions received	3,371,908	10,598,069
Securities lending	2,510,704	(1,117,422)
Net cash provided by (used in) financing activities	<u>(54,535,767)</u>	<u>78,992,296</u>
Net increase (decrease) in cash and cash equivalents	(8,758,825)	400,944,171
<b>Cash and cash equivalents</b>		
Beginning of year	515,431,278	114,487,107
End of year	<u>\$ 506,672,453</u>	<u>\$ 515,431,278</u>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid for interest, net of amounts capitalized	\$ 12,427,493	\$ 1,723,215
Accrued property and equipment acquisitions	5,400,925	14,245,684

The accompanying notes are an integral part of these consolidated financial statements.

# Christiana Care Health System and Affiliates

## Notes to Consolidated Financial Statements

June 30, 2021 and 2020

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### 1. Description of the Organization

Christiana Care Health System (the “System”) is the parent organization of Christiana Care Health Services, Inc. (“Health Services”), Christiana Care Health Initiatives (“Health Initiatives”), Christiana Care Home Health and Community Services, Inc. (“Home Health”) and Christiana Care Health Plans, Inc. (“Health Plans”).

The System is a not-for-profit Delaware corporation whose primary activity is to accept donations and engage in fundraising activities for the benefit of the Christiana Care affiliates.

Health Services, a Delaware not-for-profit corporation, owns and operates: Christiana Hospital, Wilmington Hospital, Eugene DuPont Preventive Medicine and Rehabilitation Institute, a free-standing emergency department, a physician network, residency training programs, and numerous ambulatory and physician office locations. Health Services’ primary activity is to provide healthcare services to the residents of Delaware and the surrounding counties in Maryland, Pennsylvania, and New Jersey.

Health Services acquired Affinity Health Alliance, Inc. (“Affinity”) on January 1, 2020. Affinity, a Maryland not-for-profit corporation, primarily owns and operates: Union Hospital of Cecil County, Inc., an acute care hospital facility, Union Hospital of Cecil County Foundation, Inc. which supports the hospital through donations and fundraising activities, and Union Hospital of Cecil County Health Services, Inc., which provides other health-related services to the residents of Cecil County and the surrounding areas through various physician office locations. Affinity also owns and operates an Open MRI & Imaging Center as a subsidiary of its for-profit stock corporation, Union Hospital of Cecil County Ventures, Inc. and provides radiation oncology services under Union Hospital of Cecil County Oncology, Inc.

Health Services has a wholly owned subsidiary, Christiana Care Insurance Company, Ltd (“Captive”), which is incorporated under the laws of the Cayman Islands. The primary purpose of the Captive is to direct issue primary medical professional liability and primary general liability insurance coverage to Health Services. Union Hospital of Cecil County, a wholly owned subsidiary of Affinity, obtained its professional and general liability insurance from Freestate Healthcare Insurance Company, Ltd., a Cayman Islands company (“Freestate”) prior to March 1, 2021. Legacy professional and general liabilities under Freestate will remain as run-off liabilities as a result of Union Hospital of Cecil County’s insurance coverage by the Captive effective March 1, 2021. The Captive insures Union Hospital of Cecil County with a retroactive date of August 1, 1985 under the same retrospectively rated primary policy coverage provided to Health Services. This is discussed further at Note 13.

Health Initiatives, a not-for-profit corporation, provides health services primarily in physician office locations.

Home Health is a not-for-profit health care agency which provides professional healthcare and other services in the home and community.

Health Plans, a Delaware not-for-profit corporation, offered managed care products for the Medicaid and commercial markets, until its exit from the insurance business in 2005. Although Health Plans continues to maintain its status as a licensed insurance company, it remains an inactive subsidiary.

**Christiana Care Health System and Affiliates**  
**Notes to Consolidated Financial Statements**  
**June 30, 2021 and 2020**

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**Acquisition of Affinity**

Services acquired Affinity by means of an inherent contribution where no consideration was transferred by Health Services. Health Services accounted for this business combination by applying the acquisition method and, accordingly, the inherent contribution received was valued as the excess of assets acquired over liabilities assumed. In determining the inherent contribution received, all assets acquired, and liabilities assumed were measured at fair value as of the Affinity acquisition date. The results of the operations of Affinity have been included in the accompanying consolidated financial statements since the Affinity acquisition date.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the Affinity acquisition date:

**Assets**

Cash and cash equivalents	\$ 9,577,892
Patient accounts receivable, net	17,795,691
Other current assets	7,475,877
Long-term investments	61,272,792
Property and equipment, net	87,035,567
Other assets	9,108,491
Total assets acquired	<u>192,266,310</u>

**Liabilities**

Accounts payable and accrued expenses	12,766,150
Advances from third party payors	3,166,333
Long-term debt	56,885,210
Other liabilities	23,660,449
Total liabilities assumed	<u>96,478,142</u>
Excess of assets acquired over liabilities assumed	<u>\$ 95,788,168</u>

Net assets acquired	
Net assets without donor restrictions	\$ 92,724,484
Net assets with donor restrictions	3,063,684
Excess of assets acquired over liabilities assumed	<u>\$ 95,788,168</u>

The following table summarizes amounts attributable to Affinity that are reflected in the System's consolidated statement of operations and changes in net assets as of June 30, 2021 is comprised of the following:

Total operating revenues and other support	\$ 181,209,768
Total excess of revenues over expenses	16,146,932

Similarly, amounts attributable to Affinity that are reflected in the System's consolidated statement of operations and changes in net assets from the acquisition date through June 30, 2020 is comprised of the following:

Total operating revenues and other support	\$ 83,363,832
Total deficiency of revenues over expenses	(3,977,225)

# Christiana Care Health System and Affiliates

## Notes to Consolidated Financial Statements

### June 30, 2021 and 2020

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## 2. Summary of Significant Accounting Policies

### **Basis of Presentation**

The System's financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

### **Principles of Consolidation**

The consolidated financial statements include the assets, liabilities, net assets, revenues, and expenses of the System and all wholly owned subsidiaries after the elimination of all significant intercompany transactions and balances.

### **Use of Estimates**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Future events and their effects cannot be predicted with certainty; accordingly, the accounting estimates require the exercise of judgment. The accounting estimates used in the preparation of the System's consolidated financial statements will change as new events occur, as more experience is acquired, as additional information is obtained and as the operating environment changes. The System evaluates and updates its assumptions and estimates on an ongoing basis and may employ outside experts to assist in its evaluation, as considered necessary. Actual results could differ from those estimates.

Significant estimates include, but are not limited to, net realizable value of patient accounts receivables, the valuation of certain investments, actuarially determined pension and postretirement benefits, and medical and professional liability and other self insurance reserves.

### **Cash and Cash Equivalents**

Cash and cash equivalents include investments in highly liquid instruments with original maturities of three months or less. At June 30, 2021 and 2020, the System had cash balances in financial institutions which exceed federal depository insurance limits and therefore, bears a risk of loss. However, management believes that the credit risk related to these deposits is minimal, as it has not experienced such losses on these funds.

### **Patient Accounts Receivable**

Patient accounts receivable are reported at the amounts that reflect the consideration to which the System expects to be entitled in exchange for providing patient care, as further described in Note 4. Patient accounts receivable consists of amounts owed by various governmental agencies, insurance companies, and patients. The System manages these receivables by regularly reviewing the accounts and contracts and by recording appropriate price concessions. Amounts that the System receives for the treatment of patients covered by governmental programs and third-party payors, as well as directly from patients, are subject to both explicit and implicit price concessions. The System estimates these price concessions using contractual agreements, discount policies, and historical experience. The System writes off amounts that have been deemed uncollectible because of circumstances that affect the ability of payors to make payments as they occur.

# Christiana Care Health System and Affiliates

## Notes to Consolidated Financial Statements

### June 30, 2021 and 2020

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#### **Inventories**

Inventories primarily consist of medical and surgical supplies and pharmaceuticals. Inventories are valued at the lower of cost (determined by the first-in, first-out method) or market (defined as net realizable value).

#### **Investments and Assets Limited as to Use**

Investments and assets limited as to use are measured at fair value in the balance sheets based on the methodology described in Note 6. Investment income or loss (consisting of realized and unrealized gains and losses on investments, interest, and dividends) are included in the excess of revenues over expenses unless the income or loss is restricted by donors.

Managed funds represent subscriptions in funds-of-funds and managed equity common funds utilized to diversify the portfolio of the System. As a practical expedient, the System estimates the fair value of managed funds using the reported net asset value (NAV). The System has assessed factors such as the managed funds' compliance with fair value reporting standards, price transparencies and valuation procedures, the ability to redeem at NAV at the measurement date, and existence of redemption restrictions at the measurement dates. The System is required to provide written notice of at least 90 calendar days prior to a calendar quarter-end to redeem managed funds-of-funds. Managed equity common funds are subject to redemption on a monthly basis. Requests accepted in the prior month, subject to terms, are redeemed on the first of the subsequent month. There are no lock-up provisions.

Investment income or loss generated by trading securities is classified within nonoperating revenues, gains, and losses within the consolidated statement of operations and changes in net assets. The System considers the activity of the investment portfolio and the associated cash receipts and cash purchases resulting from purchases and sales of investments classified as trading securities as an investing activity and classifies this activity accordingly within the consolidated statement of cash flows.

Assets limited as to use include (i) assets held by trustees under an indenture agreement, and (ii) designated assets set aside by the Board of Directors ("Board").

#### **Property, Equipment, and Depreciation**

Property and equipment acquisitions are recorded at cost. Expenditures which substantially increase the useful lives of existing assets are capitalized. Routine maintenance and repairs are expensed as incurred. Depreciation is computed using the straight-line method based on the following estimated useful lives: Buildings and building improvements 15-40 years, land improvements 10 years, equipment 4-15 years. Leasehold improvements are depreciated using the lesser of the lease term or the useful life of the improvement. Gains and losses from retirement or disposition of fixed assets are recognized in the consolidated statement of operations and changes in net assets as an operating expense. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

# Christiana Care Health System and Affiliates

## Notes to Consolidated Financial Statements

### June 30, 2021 and 2020

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Gifts of long-lived assets such as land, buildings, or equipment are reported as net assets without donor restrictions at fair value as of the date of the gift and are excluded from the excess of revenues over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

#### **Leases**

Lease agreements, which primarily include the System's rental of facilities, are evaluated to determine whether they are operating or finance leases in accordance with Accounting Standards Codification 842, Leases ("ASC 842"). The System evaluates whether a contract is or contains a lease at the inception of the contract. Upon lease commencement, the date on which a lessor makes the underlying asset available to the System for use, the System classifies the lease as either an operating or finance lease. Most of the System's facility and equipment leases are classified as operating.

For both operating and finance leases, the System recognizes a right-of-use asset and lease liability at lease commencement. A right-of-use asset represents the System's right to use an underlying asset for the lease term while the lease liability represents an obligation to make lease payments arising from a lease which are measured on a discounted basis. The System elected the short-term lease exemption for its leases, and accordingly, leases with terms of 12 months or less are not recorded on the consolidated balance sheet.

Lease liabilities are measured at the present value of the remaining fixed lease payments at lease commencement. As the System's leases do not specify an implicit rate, the System uses its incremental borrowing rate, which coincides with the lease term at the commencement of a lease, in determining the present value of its remaining lease payments. The System's leases may also specify extension or termination clauses. These options are factored into the measurement of the lease liability when it is reasonably certain that the System will exercise the option. Right-of-use assets are measured at an amount equal to the initial lease liability, plus any prepaid lease payments (less any incentives received, such as reimbursement for leasehold improvements) and initial direct costs, at the lease commencement date.

For the System's operating leases, rent expense, a component of supplies and other expenses on the consolidated statement of operations, is recognized on a straight-line basis over the lease term. The straight-line rent expense is reflective of the interest expense on the lease liability using the effective interest method and the amortization of the right-of-use asset. For the System's finance leases, interest expense on the lease liability is recognized using the effective interest method. Amortization expense related to the right-of-use asset is recognized on a straight-line basis over the shorter of the estimated useful life of the asset or the lease term.

The System makes payments, which are not fixed at lease commencement, for property taxes, insurance, and common area maintenance related to its facility leases. These variable lease payments, which are expensed as incurred, are included as a component of supplies and other expenses on the consolidated statement of operations.

# Christiana Care Health System and Affiliates

## Notes to Consolidated Financial Statements

### June 30, 2021 and 2020

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#### **Impairment of Long-Lived Assets**

Long-lived assets are reviewed for impairment when events and circumstances indicate that the carrying amount of an asset may not be recoverable. The System's policy is to record an impairment loss when it is determined that the carrying amount of the asset exceeds the sum of the expected undiscounted future cash flows resulting from use of the asset and its eventual disposition. Impairment losses are measured as the amount by which the carrying amount of the asset exceeds its fair value. Long-lived assets to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell. No significant impairment charges were recorded in the years ended June 30, 2021 and June 30, 2020.

#### **Securities Lending**

The System engages in securities lending whereby certain securities in its portfolio are loaned to other parties generally for a short period of time. The System receives collateral equal to 100% of the market value of securities borrowed. The System records the fair value of the collateral received as a component of both other current assets and other current liabilities as the System is obligated to return the collateral upon the return of the borrowed securities. Other current assets and liabilities include \$2,524,518 and \$13,814 of collateral investments at June 30, 2021 and 2020, respectively.

#### **Bond Issuance Costs**

Bond Issuance costs are recorded as a direct deduction from long-term debt and represent the cost of issuing long-term debt. Such costs are being amortized over the life of the applicable indebtedness using the interest method.

#### **Investments Held in Trust**

The System is entitled to beneficial interests in perpetual trusts at various percentages, which are maintained by outside trustees. The System's share of the market value of the trusts is recorded in net assets with donor restrictions and is updated on an annual basis. The change in value of the assets is recorded within net assets with donor restrictions. The periodic income distributions received from the trustees are recorded as increases in either net assets without restrictions or net assets with donor restrictions, based on the donors' intentions.

#### **Compensated Paid Leave**

The System records a liability in accounts payable and accrued expenses for amounts due to employees for future paid leave which are attributable to services performed in the current and prior periods.

#### **Net Assets**

The System reports its net assets as either net assets without donor restrictions or net assets with donor restrictions. Net assets without donor restrictions include undesignated amounts as well as amounts designated by the Board for a specific purpose. Net assets with donor restrictions are those assets whose use has been limited by donors to a specific purpose or maintained by the System in perpetuity.

Net assets that are perpetual in nature include gifts, trusts, pledges, income, and gains that are required by donor imposed restrictions to be maintained in perpetuity. Investment return derived from net assets that are perpetual in nature may be spent for general or specific purposes in accordance to donor imposed restrictions, based on the amounts appropriated for expenditure annually by Health Services' endowment spending policy.

# Christiana Care Health System and Affiliates

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Net assets that are donor restricted for a purpose include gifts, pledges, income, and gains for which donor imposed restrictions have not yet been met. Such restrictions are purpose restrictions imposed by donors, which are normally released upon the incurrence of expenditures that fulfill those donor specified purposes.

#### **Donor Restricted Contributions**

Unconditional promises to give cash and other assets to the System are reported at fair value at the date the promise is received. Contributions are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statement of operations and changes in net assets as net assets released from donor restrictions. Donor restricted contributions whose restrictions are met within the same year as received are reported as net assets without donor restrictions in the accompanying consolidated financial statements.

#### **Excess of Revenues Over Expenses**

The consolidated statement of operations and changes in net assets includes excess of revenues over expenses. Changes in net assets without donor restrictions which are excluded from excess of revenues over expenses, consistent with industry practice, include permanent transfers of assets to and from affiliates for other than goods and services, contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets), and other changes in pension and postretirement liabilities.

#### **Tax Status**

The System and its affiliates, except for Health Plans and Union Hospital of Cecil County Ventures, Inc., are exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

In 1999, Health Plans reorganized, forming a taxable entity under the Internal Revenue Code. Union Hospital of Cecil County Ventures, Inc., is a for-profit stock corporation. Its purpose is to engage in business or transactions which will benefit the activities and goals of its affiliates through its wholly owned subsidiaries, Triangle Health Alliance, LLC and Open MRI & Imaging Center, LLC.

### **3. CARES Act**

In the United States, the coronavirus outbreak began in late January 2020, and on March 13, 2020, President Donald Trump declared a national emergency. In response to the pandemic, the \$2 trillion stimulus bill, known as CARES (Coronavirus Aid, Relief, and Economic Security) Act was passed by Congress on March 25, 2020 and signed into law on March 27, 2020. In further extension of the CARES Act, the Consolidated Appropriations Act (2021) was passed by Congress on December 21, 2020 and signed into law on December 27, 2020. The legislation provides over \$2.3 trillion in funding, \$900 billion of which is allocated to COVID-19 relief.

The CARES Act and the Coronavirus Response and Consolidated Appropriations Act provided emergency assistance and health care response assistance for individuals, families, and businesses. The CARES Act implemented a variety of programs to address issues related to the onset of the COVID-19 pandemic. The Consolidated Appropriations Act continued many of these programs by adding new phases, new allocations, and new guidance to address issues related to the continuation of the COVID-19 pandemic.



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#### **Provider Relief Funds**

The Provider Relief Fund supports healthcare providers in the battle against the COVID-19 pandemic. Through the CARES Act and the Paycheck Protection Program and Health Care Enhancement Act (PPPHE), the federal government has allocated \$178 billion in payments to be distributed through the Provider Relief Fund (PRF). Qualified providers of health care, services, and support may receive Provider Relief Fund payments for healthcare-related expenses or lost revenue due to COVID-19. These distributions do not need to be repaid to the US government, assuming providers comply with the terms and conditions.

As part of the CARES Act, the System received \$105,343,060 in relief funding during fiscal 2021 and \$63,649,414 in fiscal 2020, which is recorded in other operating revenue on the consolidated statement of operations. The System accounted for the relief funding under the contribution model of accounting in ASC 958 Not-for-Profit Entities. Thus, the System recognized revenue when both the conditions and restrictions associated with the relief funding were met. Other operating revenue was recognized as the System incurred a loss of revenues attributable to COVID-19. The System has conformed to provider relief fund reporting requirements, based on net expenses and lost revenues that can be documented to support the funds received.

In June 2021, the U.S. Department of Health and Human Services (HHS) issued updated reporting requirements for the CARES Act provider relief funding with the flexibility in calculating lost revenues. The updated requirements require the System to first identify healthcare related expenses attributable to COVID-19 that another source has not reimbursed. Second, to the extent that provider relief payment amounts have not been fully expended on healthcare related expenses attributed to COVID-19, the funds received may be applied to patient care lost revenues. As one of the options for calculating lost revenue, the System chose to take the difference between budgeted (approved prior to March 27, 2020) and actual patient care revenues.

#### **Medicare Accelerated and Advance Payments Program**

In accordance with the CARES Act, Centers for Medicare & Medicaid Services (CMS) temporarily expanded its current Accelerated and Advance Payment Program for Medicare providers. Under this program, qualified healthcare providers received advance or accelerated payments from CMS. The System received \$270,871,215 of advanced payments under this program. These payments were received in April 2020.

Repayment of amounts received under the Accelerated and Advance Payment Program are due over an 18 month period after the advanced payments were issued. Failure to repay the advanced payments when due results in interest charges on the outstanding balance owed. CMS has the ability to recoup the advanced payments through future Medicare claims billed by the System's hospitals, beginning one year after the advanced payment was issued.

As of June 2021, of the advances, \$47,019,506 has either been repaid to or recouped by CMS leaving a remaining balance of \$223,851,708 reflected in current liabilities under Advances from Third Party on the consolidated balance sheet.

#### **Employer Payroll Tax Deferral**

In April 2020, the System began deferring payment on its share of payroll taxes owed, as allowed by the CARES Act through December 31, 2020. The System is able to defer half of its share of payroll taxes owed until December 31, 2021, with the remaining half due on December 31, 2022. As of June 30, 2021, the System deferred \$40,120,402 of payroll taxes. Accordingly, half of the deferral amounting to \$20,060,201 is recorded in current liabilities, and the other half amounting to \$20,060,201 in other liabilities on the consolidated balance sheet.

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#### 4. Revenue Recognition and Accounts Receivable

##### **Net Patient Service Revenue**

The System's revenues generally relate to contracts with patients in which the System's performance obligations are to provide health care services to the patients. Net patient service revenue is reported at the amount that reflects the consideration to which the System expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including government programs and commercial insurance companies), and others and include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the System bills the patient and third-party payors several days after the services are performed and/or the patient is discharged from a facility. Revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by the System. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred. The System believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation.

Generally, performance obligations satisfied over time relate to patients in our hospitals or physician practices receiving health care services. The System measures the performance obligation from admission into the hospital, or the commencement of an outpatient service, to the point when there are no further services required for the patient, which is generally at the time of discharge or completion of the outpatient services. Revenue for performance obligations satisfied at a point in time is generally recognized when goods or services are provided to our patients and customers in a retail setting (for example, pharmaceuticals), and the System does not believe it is required to provide additional goods or services to the patient. Because all of its performance obligations relate to contracts with a duration of less than one year, the System has elected to apply the practical expedient and, therefore, is not required to disclose the aggregate amounts of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially satisfied performance obligations referred to above are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

The System determines the transaction price based on standard charges for the services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured or underinsured patients in accordance with the System's policies, and/or implicit price concessions provided to uninsured or underinsured patients. The System determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. The System determines its estimate of implicit price concessions based on its historical collection experience with these classes of patients using a portfolio approach as a practical expedient. The portfolio approach is being used as the System has a large volume of similar contracts with similar classes of patients. Management's judgement to group the contracts by portfolio is based on the payment behavior expected in each portfolio category. The System reasonably expects that the effect of applying a portfolio approach to a group of contracts would not differ materially from considering each contract separately.

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Agreements with third-party payors typically provide for payments at amounts less than established charges. For services provided under Medicare, inpatient acute care services rendered to program beneficiaries are paid at prospectively determined rates per diagnosis. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Medicare outpatient services are paid at a prospectively determined rate. Medicare physician services are paid based upon established fee schedules. Additionally, Medicare provides reimbursement for direct graduate medical education, certain allied health professional training, and organ procurement on the basis of cost. This cost, and data influencing add-on payments for uncompensated care and indirect medical education, is determined based upon information contained in the annual Medicare cost report submission. The System is reimbursed for these cost related items and the applicable add-ons included in the Medicare cost report at a tentative rate. Final settlements are determined after audits of the cost report data by the fiscal intermediary. For services provided under Medicaid, inpatient acute services are paid prospectively based upon two primary case rates, with adjustment for outliers. Medicaid outpatient services are paid at a prospectively determined rate. Payment arrangements with commercial insurance carriers include prospectively determined rates per discharge and discounts from established charges.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Cost report settlements under reimbursement agreements with Medicare that result in retroactive adjustments due to audits, reviews or investigations are considered variable and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and the System's historical experience. Estimated settlements are adjusted in future periods as final settlements are determined. The 2021 and 2020 net patient service revenue increased \$3,189,350 and \$1,276,369, respectively, because of tentative settlements, final settlements, and final appeals for years that are no longer subject to audits, reviews, and investigations, as well as other changes in estimates. In addition, the contracts the System has with commercial payors also provide for retroactive audit and review of claims.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The System also provides services to uninsured and underinsured patients. The transaction price for both uninsured patients as well as insured patients with deductibles and coinsurance is estimated 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. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Subsequent changes that are determined to be the results of an adverse change in the patient's ability to pay are recorded as bad debt expense. Bad debt expense is reported in operating expenses in the statements of operations and changes in net assets and was not significant for the years ended June 30, 2021 and 2020.

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The composition of net patient service revenues by payor for the years ended June 30, 2021 and June 30, 2020 are as follows:

	<b>2021</b>	<b>2020</b>
Medicare	\$ 785,987,137	\$ 673,971,081
Medicaid	355,761,917	297,029,424
Commercial insurance	1,148,503,320	920,612,011
Self-pay and other	<u>100,494,773</u>	<u>97,811,160</u>
	<u>\$ 2,390,747,147</u>	<u>\$ 1,989,423,676</u>

Revenue from patients' deductibles and coinsurance is included in the preceding categories based on the primary payor and is transferred to self-pay after consideration is received from the primary payor. Self-pay and other, which includes auto insurance, worker's compensation, pending Medicaid, and other commercial insurance payers, are grouped together.

The System has elected the practical expedient and does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to the System's expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payor pays for that service will be one year or less. However, the System does, in certain instances, enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

**Other Revenue**

Other revenue consists primarily of CARES Act provider relief funding, research and grant revenue, retail pharmacy revenue, revenue from services agreements, rental revenue, and cafeteria revenue.

For the majority of its grants, the System has determined that there is no exchange back to the granting agency. Therefore, the System accounts for these grants under the contribution model of accounting in ASC Topic 958, which is outside the scope of ASC 606, and revenue is recognized as expenses for these grants are incurred.

The System's retail pharmacies offer a full inventory of standard, specialty, and over-the-counter medications, and retail pharmacy revenue is recognized as prescriptions are filled. Revenue from service agreements with third parties is recognized when performance obligations under the terms of the respective contract are satisfied.

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The remaining amount of other revenue is primarily generated from rental agreements and the System's cafeterias. The System recognizes rental income on a straight-line basis over the lease term in accordance with ASC Topic 842, *Leases*. The System's cafeterias offer food and beverage products to our visitors and employees, and revenue is recognized when the goods are exchanged. The composition of other revenue for the years ended June 30, 2021 and June 30, 2020 are as follows:

	2021		2020	
Provider relief funding	\$ 105,343,060	62.2 %	\$ 63,649,414	54.1 %
Research and grant revenue	22,978,745	13.6	18,661,300	15.9
Retail pharmacy revenue	15,082,554	8.9	15,184,983	12.9
Service agreements	15,549,521	9.2	14,040,730	11.9
Rental, cafeteria, & other revenue	10,354,432	6.1	6,084,436	5.2
Other revenue	\$ 169,308,312	100.0 %	\$ 117,620,863	100.0 %

**5. Charity Care and Community Benefit**

In accordance with the System's mission to improve the health of Delaware and the surrounding counties of Maryland, Pennsylvania, and New Jersey, the System provides care to patients regardless of their ability to pay. The System provides care to these patients, who meet certain criteria under the System's charity care policy, without charge or at amounts less than its established rates. Criteria for charity care considers the patient's family income, net worth, and other factors. Because the System does not pursue collections of amounts determined to qualify as charity care, they are not reported as revenue.

Direct and indirect costs for charity care services amounted to \$19.9 million and \$21.8 million in 2021 and 2020, respectively. The costs of providing charity care services are based on a calculation which applies a ratio of costs to charges to the gross uncompensated charges associated with providing care to charity patients.

The System also offers discounts for uninsured patients who do not qualify for the charity care program and provides flexible, long-term payment plans for patients. In addition, the System also provides services to beneficiaries of public programs and various other community health services intended to improve the health of communities in which it operates.

The System uses the following four categories to identify the resources utilized for the care of persons who are underserved and for providing community benefit programs to the needy:

- Traditional charity care, which includes the cost of services provided to persons who cannot afford health care because of inadequate resources and who are uninsured.
- Unpaid cost of Medicare, which represents the unpaid cost of services provided to persons through the government program for individuals age 65 and older as well as those that qualify for federal disability benefits.
- Unpaid cost of Medicaid, which represents the unpaid cost of services provided to persons covered by the government program for medically indigent patients.

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- Community benefit programs consist of the unreimbursed costs of certain programs and services for the general community, mainly for indigent patients but also for people with chronic health risks. Examples of these programs include health promotion and education, free clinics and screenings, and other community services.

**6. Investments, Assets Limited as to Use, and Investment Income**

The composition of investments and assets limited as to use at June 30, 2021 and 2020 is set forth in the following table. Investments and assets limited as to use are stated at fair value.

	<b>2021</b>	<b>2020</b>
Short-term investments	\$ 191,331,183	\$ 247,613,445
Assets limited as to use		
Externally designated by bond trustee		
Escrow funds	534,927	49,854,384
Internally designated by Board of Directors		
Infant mortality	10,572,162	11,912,792
Harrington VIP/VICP fund	9,433,065	10,197,015
Translational cancer research	6,956,477	5,576,287
Total assets limited as to use	<u>27,496,631</u>	<u>77,540,478</u>
Long-term investments		
Without donor restrictions	2,330,670,533	1,758,749,486
Purpose restricted	17,745,041	12,042,336
Perpetual in nature	34,770,408	31,375,850
Total long-term investments	<u>2,383,185,982</u>	<u>1,802,167,672</u>
Total investments and assets limited as to use	<u>\$ 2,602,013,796</u>	<u>\$ 2,127,321,595</u>

Within the consolidated statement of operations and changes in net assets, investment return without donor restrictions for June 30, 2021 and 2020 is comprised of the following:

	<b>2021</b>	<b>2020</b>
Interest and dividend income	\$ 25,323,699	\$ 30,545,613
Net realized gains	168,223,754	71,872,968
Net unrealized gains	318,409,135	39,864,765
	<u>\$ 511,956,588</u>	<u>\$ 142,283,346</u>

Similarly, investment return with donor restrictions for June 30, 2021 and 2020 is comprised of the following:

	<b>2021</b>	<b>2020</b>
Interest and dividend income	\$ 317,302	\$ 335,758
Net realized gains	2,552,091	1,119,443
Net unrealized gains	4,729,715	623,030
	<u>\$ 7,599,108</u>	<u>\$ 2,078,231</u>

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Investment return is shown net of the related expenses on the consolidated statement of operations and changes in net assets.

The System adheres to applicable accounting guidance for fair value measurements and defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The System applies the following fair value hierarchy:

- Level 1 Quoted prices in active markets for identical assets or liabilities. Level 1 assets include money market funds, debt and equity securities that are traded in an active exchange market, as well as certain U.S. Treasury and other U.S. Governments and agency securities that are highly liquid and are actively traded in over-the-counter markets.
- Level 2 Observable inputs other than Level 1 such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities. Level 2 assets include equity and debt securities with quoted prices that are traded less frequently than exchange-traded instruments whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data.
- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets include investments held in trust by others whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Transfers between leveled assets are based on the actual date of the event which caused the transfer. As of June 30, 2021 and 2020 there were no transfers between Levels 1, 2, and 3.

The System has certain long-term investments that are presented at Net Asset Value. The underlying assets are invested in high quality, public institutional funds subject to the same board investment policy as the rest of the long-term investment portfolio, these assets are located in pooled investments. The Funds are valued monthly. The funds that would ultimately be realized upon sale are subject to market change over the maximum 100 day liquidity period.

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The following table presents the financial instruments carried at fair value as of June 30, 2021 in accordance with the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
Investments and assets limited as to use				
Money market funds	\$ 231,233,493	\$ -	\$ -	\$ 231,233,493
U.S. Government and agency securities	97,065,645	-	-	97,065,645
Corporate and other debt securities	-	630,807,247	-	630,807,247
Equity securities	835,899,575	226,127,762	-	1,062,027,337
Investment held by others	-	-	10,943,541	10,943,541
Total investments and assets limited as to use	<u>1,164,198,713</u>	<u>856,935,009</u>	<u>10,943,541</u>	<u>2,032,077,263</u>
Total assets at fair value	<u>\$ 1,164,198,713</u>	<u>\$ 856,935,009</u>	<u>\$ 10,943,541</u>	<u>2,032,077,263</u>
Other investments measured at net asset value				<u>569,936,533</u>
Total assets at fair value				<u>\$ 2,602,013,796</u>

The following table illustrates the change in Level 3 assets:

	Investments Held by Others
<b>Fair value at June 30, 2020</b>	\$ 8,711,223
Contributions	-
Change in value of assets	<u>2,232,318</u>
<b>Fair value at June 30, 2021</b>	<u>\$ 10,943,541</u>

The following table presents the financial instruments carried at fair value as of June 30, 2020 in accordance with the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
Investments and assets limited as to use				
Money market funds	\$ 282,511,268	\$ -	\$ -	\$ 282,511,268
U.S. Government and agency securities	56,516,540	2,032,954	-	58,549,494
Corporate and other debt securities	-	533,506,857	-	533,506,857
Equity securities	661,316,179	164,146,297	-	825,462,476
Investment held by others	-	-	8,711,223	8,711,223
Total investments and assets limited as to use	<u>1,000,343,987</u>	<u>699,686,108</u>	<u>8,711,223</u>	<u>1,708,741,318</u>
Total assets at fair value	<u>\$ 1,000,343,987</u>	<u>\$ 699,686,108</u>	<u>\$ 8,711,223</u>	<u>1,708,741,318</u>
Other investments measured at net asset value				<u>418,580,277</u>
Total assets at fair value				<u>\$ 2,127,321,595</u>



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The following table illustrates the change in Level 3 assets:

	<b>Investments Held by Others</b>
<b>Fair value at June 30, 2019</b>	\$ 8,460,320
Contributions	284,572
Change in value of assets	<u>(33,669)</u>
<b>Fair value at June 30, 2020</b>	<u>\$ 8,711,223</u>

**7. Property and Equipment**

A summary of property and equipment at June 30, 2021 and 2020 is as follows:

	<b>2021</b>	<b>2020</b>
Land and land improvements	\$ 84,520,523	\$ 83,445,370
Buildings and building improvements	1,807,657,706	1,705,074,200
Equipment	<u>937,017,365</u>	<u>904,623,233</u>
	2,829,195,594	2,693,142,803
Accumulated depreciation	<u>(1,655,531,518)</u>	<u>(1,531,006,895)</u>
	1,173,664,076	1,162,135,908
Construction-in-progress	<u>64,058,633</u>	<u>79,997,600</u>
	<u>\$ 1,237,722,709</u>	<u>\$ 1,242,133,508</u>

Depreciation expense amounted to \$125,802,435 and \$112,450,248 in 2021 and 2020, respectively. In 2021 and 2020, the System incurred total interest costs of \$14,944,749 and \$10,102,248, respectively, of which \$3,363,459 in 2021 and \$5,738,604 in 2020 has been capitalized. There were no significant disposals of property and equipment for the year ended June 30, 2021. For the year ended June 30, 2020, the System incurred \$4,299,406 to dispose of the original parking garage structure at Wilmington Hospital. At June 30, 2021 construction contracts of \$77,498,706 exist primarily for various expansion and other facility improvements. The remaining commitment on these contracts was \$8,720,700.

**8. Other Current Assets and Other Assets**

Other Current Assets at June 30, 2021 and 2020 consist of the following:

	<b>2021</b>	<b>2020</b>
Inventories	\$ 40,635,535	\$ 40,220,809
Prepaid expenses	22,105,660	24,413,345
Other	<u>17,734,348</u>	<u>17,784,367</u>
	<u>\$ 80,475,543</u>	<u>\$ 82,418,521</u>

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Other Assets at June 30, 2021 and 2020 consist of the following:

	<b>2021</b>	<b>2020</b>
Right-of-use-assets	\$ 39,164,561	\$ 36,201,687
Other receivables	69,514,799	24,458,299
Other	<u>53,125,802</u>	<u>22,150,571</u>
	<u>\$ 161,805,162</u>	<u>\$ 82,810,557</u>

**9. Net Assets With Donor Restrictions**

Net assets with donor restrictions and funds limited by donors to a specific purpose or maintained by the System in perpetuity.

Net assets with donor restrictions are available for the following purposes at June 30, 2021 and 2020.

	<b>2021</b>	<b>2020</b>
Health care services	\$ 4,993,805	\$ 4,063,552
Purchases of buildings and equipment	4,473,952	6,622,002
Education, research and other operational needs	<u>22,676,217</u>	<u>16,441,250</u>
	<u>\$ 32,143,974</u>	<u>\$ 27,126,804</u>

Net assets with donor restrictions that are perpetual in nature consist of the following at June 30, 2021 and 2020:

	<b>2021</b>	<b>2020</b>
Investments held in perpetuity	\$ 25,143,775	\$ 24,933,789
Investments held in trust by others	<u>10,943,541</u>	<u>8,711,223</u>
	<u>\$ 36,087,316</u>	<u>\$ 33,645,012</u>

**10. Endowments**

The Systems' endowment consists of twenty-four donor restricted endowment funds and three board-designated endowment funds for a variety of purposes. The endowment includes both donor restricted endowment funds and funds designated by the Board to function as endowments. The net assets associated with endowment funds including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions. In accordance with the Systems' spending policy, annual distributions are 5% of the fiscal year-end value of the endowment pool calculated on a 36-month trailing average of the market value.

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The System has interpreted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as requiring the preservation of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the System classifies as net assets that are perpetual in nature, (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not classified as net assets that are perpetual in nature is classified as net assets that are purpose restricted until those amounts are appropriated for expenditure on an annual basis by the Board of the System in a manner consistent with the standard of prudence prescribed by UPMIFA.

Endowment net asset composition by type of fund as of June 30, 2021 and 2020:

	<b>2021</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Endowment funds</b>			
Donor restricted	\$ -	\$ 42,884,593	\$ 42,884,593
Board designated	26,961,704	-	26,961,704
Total endowment funds	<u>\$ 26,961,704</u>	<u>\$ 42,884,593</u>	<u>\$ 69,846,297</u>

	<b>2020</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Endowment funds</b>			
Donor restricted	\$ -	\$ 36,606,960	\$ 36,606,960
Board designated	27,686,094	-	27,686,094
Total endowment funds	<u>\$ 27,686,094</u>	<u>\$ 36,606,960</u>	<u>\$ 64,293,054</u>

Changes in endowment net assets for the year ended June 30, 2021 and 2020:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Endowment net assets at June 30, 2020</b>	\$ 27,686,094	\$ 36,606,960	\$ 64,293,054
Investment return, net	1,606,006	7,599,108	9,205,114
Contributions		209,987	209,987
Appropriation of endowment assets for expenditure	(2,330,396)	(1,531,462)	(3,861,858)
<b>Endowment net assets at June 30, 2021</b>	<u>\$ 26,961,704</u>	<u>\$ 42,884,593</u>	<u>\$ 69,846,297</u>

**Christiana Care Health System and Affiliates**  
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	Without Donor Restrictions	With Donor Restrictions	Total
<b>Endowment net assets at June 30, 2019</b>	\$ 30,023,062	\$ 38,142,788	\$ 68,165,850
Investment return, net	467,331	2,078,231	2,545,562
Contributions	-	2,751,754	2,751,754
Appropriation of endowment assets for expenditure	<u>(2,804,299)</u>	<u>(6,365,813)</u>	<u>(9,170,112)</u>
<b>Endowment net assets at June 30, 2020</b>	<u>\$ 27,686,094</u>	<u>\$ 36,606,960</u>	<u>\$ 64,293,054</u>

Description of amounts classified as net assets with donor restrictions (endowments only):

	2021	2020
<b>Endowment funds restricted for specific purpose</b>		
Restricted for health care services	\$ 3,804,160	\$ 3,253,300
Restricted for building and maintenance	837,713	1,034,614
Restricted for program support	13,098,946	7,385,257
<b>Endowment funds held in perpetuity</b>		
Restricted for salary support	11,643,364	11,526,060
Restricted for program support	<u>13,500,410</u>	<u>13,407,729</u>
Total endowment funds classified as net assets with donor restrictions	<u>\$ 42,884,593</u>	<u>\$ 36,606,960</u>

**Endowment Funds With Deficits**

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (deficit). When donor restricted endowment deficits exist, they are classified as a reduction of net assets with donor restrictions. There were no deficits of this nature reported in net assets with donor restrictions as of June 30, 2021 and June 30, 2020.

**Strategies Employed for Achieving Investment Objectives**

To achieve its long-term rate of return objectives, the System relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). The System targets a diversified asset allocation that places greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

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**11. Debt**

Long-term debt at June 30, 2021 and 2020 consisted of the following:

	Interest Rates	Final Maturity	2021	2020
Line of Credit	Variable	2022	\$ 175,943	\$ 50,000,000
<b>DHFA Series 2020 Revenue Bonds</b>				
2020A	4.0% to 5.0%	2049	247,255,000	247,255,000
2020B	1.64% to 1.79%	2023	13,290,000	17,660,000
<b>MHHEFA Series 2014 Revenue Bonds</b>				
	3.42%	2039	29,998,000	30,118,000
<b>MHHEFA Series 2012 Revenue Bonds</b>				
2012A	3.34%	2022	1,128,125	2,225,264
2012B-2	2.75%	2022	500,537	987,326
<b>Town of Elkton, Maryland Series 2012 Revenue Bonds</b>				
2012A	2.73%	2036	6,961,992	7,332,299
2012-B1	2.73%	2036	4,067,359	4,283,700
2012C	2.73%	2031	9,000,000	9,000,000
			<u>312,376,956</u>	<u>368,861,589</u>
Unamortized premium (discount)			54,287,487	56,775,770
Debt issuance costs			(2,228,391)	(2,408,166)
Current maturities			<u>(6,964,776)</u>	<u>(56,660,577)</u>
			<u>\$ 357,471,276</u>	<u>\$ 366,568,616</u>

In 2020, Health Services borrowed \$50,000,000 on a line of credit with PNC bank. These funds were used as needed to support working capital needs. The line was renewed and paid off in 2021 but remains open and available to the organization. In 2021, Delaware Center for Maternal and Fetal Medicine borrowed \$577,000 on a line of credit with WSFS bank. These funds were used as needed to support operations. To date, \$401,057 has been repaid.

In 2020, the System issued \$247,255,000 aggregate principal amount of Series 2020A fixed rate revenue bonds and \$17,660,000 aggregate principal amount of Series 2020B fixed rate revenue bonds through the Delaware Health Facilities Authority (DHFA). A portion of the proceeds were used to retire the Series 2008A, 2008B, 2010B, 2010C, 2010D, and 2010E revenue bonds. Remaining proceeds are being used towards the construction costs of the Women and Children's tower at Christiana Hospital and the visitor parking garage at Wilmington Hospital.

In 2020, Health Services placed funds into escrow to pay the principal balance of the 2010A fixed rate revenue bonds in 2021 as well as interest payments to that date. The liability for the 2010A bond principal balance and corresponding escrow asset amount were removed from the consolidated balance sheet in 2020 as they were legally defeased. The 2010A bonds were retired during 2021.

Affinity had a remaining balance of \$55,229,108 in revenue bonds at the time it was acquired, as detailed below.

In 2014, Affinity issued \$30,778,000 Series 2014 fixed rate revenue bonds through the Maryland Health and Higher Educational Facilities Authority (MHHEFA). The proceeds were used to retire older bonds and finance certain capital projects. The balance at acquisition date was \$30,178,000.

In 2012, Affinity issued \$9,924,000 of Series 2012A and \$4,007,000 of Series 2012B-2 fixed rate revenue bonds through the Maryland Health and Higher Educational Facilities Authority (MHHEFA). The proceeds were used to retire older bonds and finance certain capital projects. The balance at acquisition date was \$3,974,916.

**Christiana Care Health System and Affiliates**  
**Notes to Consolidated Financial Statements**  
**June 30, 2021 and 2020**

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In 2012, Affinity Health issued \$10,000,000 Series 2012A, \$5,842,336 Series 2012-B1, \$2,820,000 Series 2012B-2, and \$9,000,000 Series 2012B-2 fixed rate revenue bonds through the Town of Elkton, Maryland. The proceeds were used to retire older bonds. The balance at acquisition date was \$21,076,192. Scheduled maturities are as follows:

2022	\$ 6,964,776
2023	6,838,377
2024	6,978,481
2025	7,206,491
2026	7,513,294
Thereafter	<u>276,875,537</u>
	<u>\$ 312,376,956</u>

**12. Employee Benefit Plans**

**Pension Plan**

Health Services sponsors a noncontributory defined benefit pension plan covering substantially all eligible employees hired on or before August 13, 2006. Employees hired after that date are participants in a defined contribution plan. Contributions to the pension plan are based on the minimum amount required by the Employee Retirement Income Security Act of 1974.

Retirement benefits are paid based principally on years of service and salary. Pension plan assets consist primarily of corporate bonds, notes, and U.S. government obligations. As purchases and sales of pension plan assets take place, cash may sit overnight in money market funds.

During fiscal 2021, Health Services offered enhanced retirement benefits under the Voluntary Early Retirement Program (VERP) to eligible participants in the defined benefit pension plan. This resulted in Special Termination Benefits for the elected participants and Settlement charges due to accelerated lump sum payments. Remeasurements have been performed due to these events and have been incorporated into the actuarial assumptions as of June 30, 2021. There were no significant impacts due to the COVID-19 pandemic based on the actuarial analysis.

**Christiana Care Health System and Affiliates**  
**Notes to Consolidated Financial Statements**  
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**Postretirement Benefits**

Health Services provides postretirement health care benefits to eligible employees and their dependents. The following table sets forth the components of the benefit obligations, plan assets, and funding status of the Plans based on actuarial valuations performed as of June 30, 2021 and June 30, 2020:

	Pension Benefits		Postretirement Benefits	
	2021	2020	2021	2020
<b>Change in benefit obligation</b>				
Benefit obligation at beginning of year	\$ 1,150,102,181	\$ 988,921,664	\$ 92,595,129	\$ 83,664,144
Service cost	30,904,854	30,169,359	1,322,359	1,299,241
Interest cost	25,286,065	31,180,012	2,142,467	2,643,143
Actuarial loss	(5,923,980)	166,324,148	772,512	8,215,960
Settlements	(222,634,087)	-	-	-
Special termination benefit charge	39,219,989	-	-	-
Retiree contributions	-	-	531,557	385,440
Benefits paid	(12,009,219)	(66,493,002)	(4,253,045)	(3,612,799)
Benefit obligation at end of year	<u>\$ 1,004,945,803</u>	<u>\$ 1,150,102,181</u>	<u>\$ 93,110,979</u>	<u>\$ 92,595,129</u>
<b>Change in plan assets</b>				
Fair value of plan assets at beginning of year	\$ 1,049,443,528	\$ 981,445,345	\$ -	\$ -
Actual return on Plan assets (net of expenses)	(35,121,305)	134,491,185	-	-
Employer contributions	132,000,000	-	3,721,488	3,227,359
Retiree contributions	-	-	531,557	385,440
Settlements	(222,634,087)	-	-	-
Benefits paid	(12,009,219)	(66,493,002)	(4,253,045)	(3,612,799)
Fair value of plan assets at end of year	<u>\$ 911,678,917</u>	<u>\$ 1,049,443,528</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Reconciliation of funded status to net amount recognized in the balance sheet</b>				
Amounts recorded as accrued liabilities	\$ (93,266,886)	\$ (100,658,653)	\$ (93,110,979)	\$ (92,595,129)
Funded status				
Current liabilities	\$ -	\$ -	\$ (6,425,161)	\$ (4,771,984)
Noncurrent liabilities	(93,266,886)	(100,658,653)	(86,685,818)	(87,823,145)
Accrued liability	(93,266,886)	(100,658,653)	(93,110,979)	(92,595,129)
Amounts recorded within net assets without donor restrictions				
Net prior service (credit)		-	(5,036,967)	(11,033,356)
Actuarial loss	235,874,225	258,780,799	22,157,838	23,911,537
Net amount recognized at year end	<u>\$ 142,607,339</u>	<u>\$ 158,122,146</u>	<u>\$ (75,990,108)</u>	<u>\$ (79,716,948)</u>
<b>Accumulated benefit obligation</b>	\$ 865,653,520	\$ 1,006,496,204	\$ -	\$ -
	Pension Benefits		Postretirement Benefits	
	2021	2020	2021	2020
<b>Weighted-average assumptions used to determine benefit obligations at June 30</b>				
Discount rate	2.500 %	2.375 %	2.500 %	2.375 %
Rate of compensation increase	3.000 %	2.00% FY21, 3.00% thereafter	N/A	N/A

**Christiana Care Health System and Affiliates**  
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**June 30, 2021 and 2020**

	<b>Pension Benefits</b>		<b>Postretirement Benefits</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<b>Components of net periodic benefit cost</b>				
Service cost	\$ 30,904,854	\$ 30,169,359	\$ 1,322,359	\$ 1,299,241
Interest cost	25,286,065	31,180,012	2,142,467	2,643,143
Expected return on plan assets	(21,310,759)	(38,646,330)	-	-
Amortization of prior service cost (credit)	-	-	(5,996,389)	(5,996,389)
Recognized actuarial loss	<u>22,506,642</u>	<u>15,830,272</u>	<u>2,526,211</u>	<u>1,420,380</u>
Net periodic benefit cost	57,386,802	38,533,313	(5,352)	(633,625)
Special termination benefit charge	39,219,989	-	-	-
Settlement charge	<u>50,908,016</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net pension cost	<u>147,514,807</u>	<u>38,533,313</u>	<u>(5,352)</u>	<u>(633,625)</u>
<b>Other changes in pension liability recognized in net assets without donor restrictions</b>				
Net actuarial loss	50,508,084	70,479,293	772,512	8,215,960
Recognition due to settlement	(50,908,016)	-	-	-
Amortization of (gain)	(22,506,642)	(15,830,272)	(2,526,211)	(1,420,380)
Amortization of prior service credit	<u>-</u>	<u>-</u>	<u>5,996,389</u>	<u>5,996,389</u>
Total recognized in net assets without donor restrictions	<u>(22,906,574)</u>	<u>54,649,021</u>	<u>4,242,690</u>	<u>12,791,969</u>
Total recognized in net benefit cost and net assets without donor restrictions	<u>\$ 124,608,233</u>	<u>\$ 93,182,334</u>	<u>\$ 4,237,338</u>	<u>\$ 12,158,344</u>

	<b>Pension Benefits</b>		<b>Postretirement Benefits</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<b>Weighted-average assumptions used to determine net periodic benefit cost at beginning of fiscal year</b>				
Discount rate	2.375%/2.25% <sup>1</sup> /2.875% <sup>2</sup>	3.250 %	2.375 %	3.250 %
Expected return on plan assets	2.375%/2.25% <sup>1</sup> /2.875% <sup>2</sup>	4.250 %	N/A	N/A
Rate of compensation increase	2.00% FY21, 3.00% thereafter	3.000 %	N/A	N/A

<sup>1</sup> Rates as of remeasurement date 9/30/2020 and 12/31/2020.

<sup>2</sup> Rates as of remeasurement date 3/31/2021.

Health Services expects to recognize \$16,673,781 of loss amortization as a component of net pension cost during the year ended June 30, 2022. There is no prior service cost/(credit) amortization and no transition obligation/(asset) amortization as these have been fully amortized.

Health Services expects to recognize \$1,994,835 of loss amortization, \$(5,036,967) prior service (credit) amortization, and no transition asset or obligation amortization as components of net postretirement benefit cost during the year ending June 30, 2022.

Other components of net periodic pension cost, which are presented in other nonoperating losses, revenues, and gains on the consolidated statement of operations and changes in net assets, were \$26,481,948 and \$8,363,954 as of June 30, 2021 and 2020, respectively. Other components of net periodic postretirement benefit cost, which are presented in other nonoperating losses, revenues, and gains on the consolidated statement of operations and changes in net assets, were \$(1,327,711) and \$(1,932,866) as of June 30, 2021 and 2020, respectively. In addition, Health Services recognized Special Termination Benefits charges of \$39,219,989 and Settlement charges of \$50,908,016 within nonoperating losses, revenues, and gains and changes in net assets due to the VERP program in fiscal 2021. The expected rate of return on plan assets assumption was developed based on historical returns for the major asset classes. This review also considered both current market conditions and projected future contributions.



# Christiana Care Health System and Affiliates

## Notes to Consolidated Financial Statements

### June 30, 2021 and 2020

Health Services utilizes published long-term high-quality corporate bond indices to determine the discount rate at measurement date. Where commonly available, Health Services considers indices of various durations to reflect the timing of future benefit payments.

#### Plan Assets

Pension plan weighted target and actual average asset allocations at June 30, 2021 and 2020 were comprised of 100% fixed income securities.

The investment policy incorporates a liability-driven investment approach that focuses on the funded status of the Plan and seeks to match the duration of the assets with that of the liabilities. As such, the investment portfolio allocation is comprised of 100% long duration fixed income securities. The Plan's financial condition is monitored on an ongoing basis by means of an annual funding review, an annual independent actuarial valuation, and quarterly investment portfolio reviews.

The following table represents the Plan's financial instruments as of June 30, 2021, measured at fair value on a recurring basis using the fair value hierarchy defined in Note 6:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 30,392,012	\$ -	\$ -	\$ 30,392,012
U.S. Government and agency securities	348,849,669	12,455,805	-	361,305,474
Corporate and other debt securities	-	519,979,431	-	519,979,431
Equity securities	2,000	-	-	2,000
Total assets at fair value	<u>\$ 379,243,681</u>	<u>\$ 532,435,236</u>	<u>\$ -</u>	<u>\$ 911,678,917</u>

The following table represents the Plan's financial instruments as of June 30, 2020, measured at fair value on a recurring basis using the fair value hierarchy defined in Note 6:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 12,708,867	\$ -	\$ -	\$ 12,708,867
U.S. Government and agency securities	302,409,820	8,323,637	-	310,733,457
Corporate and other debt securities	-	725,999,415	-	725,999,415
Equity securities	1,789	-	-	1,789
Total assets at fair value	<u>\$ 315,120,476</u>	<u>\$ 734,323,052</u>	<u>\$ -</u>	<u>\$ 1,049,443,528</u>

#### Contributions

During fiscal 2021, Health Services made contributions to the pension plan of \$132,000,000 and expects to contribute approximately \$28,000,000 during the fiscal year ending June 30, 2022. The System offered a Voluntary Early Retirement Program (VERP) during the fiscal year 2021, providing enhanced retirement benefits to those eligible participants who elect to participate in the VERP. There were several waves of elections, resulting in the recognition of Special Termination Benefits. On July 15th, 2021, the Plan distributed \$32,892,741 to the 45 employees who retired in June 2021. This funding completes the final round of the VERP.

Health Services made contributions to the postretirement benefit plan of \$3,721,488 during fiscal 2021 and expects to contribute approximately \$6,425,161 during the fiscal year ending June 30, 2022. The actual pension plan contribution may be higher or lower depending on interest rates, pension plan asset values, and legislated funding requirements.

**Christiana Care Health System and Affiliates**  
**Notes to Consolidated Financial Statements**  
**June 30, 2021 and 2020**

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**Estimated Future Benefit Payments**

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

	<b>Pension Benefits</b>	<b>Postretirement Benefits</b>
2022	\$ 72,108,075	\$ 6,425,161
2023	42,616,710	6,654,587
2024	46,715,295	6,034,079
2025	52,310,906	5,974,767
2026	57,038,562	5,343,180
2027-2031	317,372,598	26,323,708

The annual rate of increase assumed in the per capita cost of covered health care benefits was 6.45% and 6.75% for the Pre-65 and Post 64 participants, respectively, for determining June 30, 2021 obligations and will be used for Fiscal 2022 Net Benefit Cost. The rates are assumed to decrease gradually to 4.98% for both participant groups in fiscal year 2039 and remain at that level thereafter.

	<b>1-Percentage Point Increase</b>	<b>1-Percentage Point Decrease</b>
Effect on total service and interest cost	\$ 36,475	\$ (34,283)
Effect on postretirement benefit obligation	540,501	(513,229)

**Defined Contribution Retirement Plan**

Health Services sponsors a defined contribution retirement plan for all employees hired after August 13, 2006. Under the plan, Health Services contributes a percent of compensation quarterly based on an employee's years of vesting service. The employees vest in the employer contributions over a three-year period beginning on the employee's hire date. The expense incurred by Health Services, which includes Affinity Health Alliance, for the year ended June 30, 2021 and 2020 was \$22,800,871 and \$17,129,610, respectively.

**Deferred Compensation Plan**

Health Services maintains a Tax-Deferred Annuity Plan for all employees. Under the Plan, Health Services accumulates employee contributions which are transferred to and invested by various trustees. Health Services contributes 50% of the employee contributions up to a maximum of 3% of an employee's salary. During fiscal 2021, Health Services suspended the employer contribution of this plan for a period of time due to the pandemic and was later reinstated. Contributions for the years ended June 30, 2021 and 2020 were \$13,538,131 and \$19,211,180, respectively.

**Home Health Pension Plan**

Home Health sponsors a noncontributory defined benefit pension plan covering substantially all eligible employees hired on or before August 26, 2007. Employees hired after that date are participants in a defined contribution plan. Generally, benefits under the Plan are based on the employee's compensation and years of service. Contributions to the Plan are designed to meet the minimum funding requirements of the Employee Retirement Income Security Act of 1974. Employees are on a graduated vesting scale and become fully vested after seven years of service.

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The following tables set forth the components of the benefit obligation, plan assets, and funding status of the plan based on actuarial valuations performed as of June 30, 2021 and June 30, 2020:

	<b>2021</b>	<b>2020</b>
<b>Change in benefit obligation</b>		
Benefit obligation at beginning of year	\$ 45,025,261	\$ 40,234,334
Service cost	1,073,041	1,121,059
Interest cost	1,061,194	1,275,439
Actuarial loss (gains)	53,095	5,078,953
Settlements	(3,312,358)	-
Benefits paid	<u>(917,684)</u>	<u>(2,684,524)</u>
Benefit obligation at end of year	<u>\$ 42,982,549</u>	<u>\$ 45,025,261</u>
<b>Change in plan assets</b>		
Fair value of plan assets at beginning of year	\$ 41,959,976	\$ 39,662,902
Actual return on plan assets (net of expenses)	(399,562)	4,981,598
Employer contributions	4,300,000	-
Settlements	(3,312,358)	-
Benefits paid	<u>(917,684)</u>	<u>(2,684,524)</u>
Fair value of plan assets at end of year	<u>\$ 41,630,372</u>	<u>\$ 41,959,976</u>
<b>Reconciliation of funded status to net amount recognized in the balance sheet</b>		
Amounts recorded as accrued liabilities		
Noncurrent liabilities	<u>\$ (1,352,177)</u>	<u>\$ (3,065,292)</u>
Accrued liability	(1,352,177)	(3,065,292)
Amounts recorded within net assets without donor restrictions		
Actuarial loss	<u>10,355,480</u>	<u>11,008,188</u>
Net amount recognized at year end	<u>\$ 9,003,303</u>	<u>\$ 7,942,896</u>
<b>Accumulated benefit obligation</b>	<u>\$ 38,688,433</u>	<u>\$ 40,923,194</u>

**Pension Benefits**

	<b>2021</b>	<b>2020</b>
<b>Weighted-average assumptions used to determine benefit obligations at June 30</b>		
Discount rate	2.500 %	2.375 %
Rate of compensation increase	3.000 %	2.00% for FY2021, 3.00% thereafter

**Christiana Care Health System and Affiliates**  
**Notes to Consolidated Financial Statements**  
**June 30, 2021 and 2020**

	2021	2020
<b>Components of net periodic benefit cost</b>		
Service cost	\$ 1,073,041	\$ 1,121,059
Interest cost	1,061,194	1,275,439
Expected return on plan assets	(928,149)	(1,601,018)
Recognized actuarial loss	1,202,098	892,081
Amortization of prior service (credit)	-	(170,167)
Net periodic benefit cost	<u>2,408,184</u>	<u>1,517,394</u>
Settlement charges	<u>831,416</u>	<u>-</u>
Net pension cost	<u>3,239,600</u>	<u>1,517,394</u>
<b>Other changes in pension liability recognized in net assets without donor restrictions</b>		
Net actuarial (gain)	1,380,806	1,698,376
Recognition due to settlement	(831,416)	-
Amortization of (gain)	(1,202,098)	(892,081)
Amortization of prior service credit	-	170,167
Total recognized in net assets without donor restrictions	<u>(652,708)</u>	<u>976,462</u>
Total recognized in net benefit cost and net assets without donor restrictions	<u>\$ 2,586,892</u>	<u>\$ 2,493,856</u>

**Pension Benefits**

2021	2020
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**Weighted-average assumptions used to determine net periodic benefit cost at beginning of fiscal year**

Discount rate	2.375%/2.875% <sup>1</sup> /2.50% <sup>2</sup>	3.250 %
Expected return on plan assets	2.375%/2.875% <sup>1</sup> /2.50% <sup>2</sup>	4.250 %
Rate of compensation increase	2.00% for FY2021, 3.00% thereafter	3.000 %

<sup>1</sup> Rates as of remeasurement date 3/31/2021.

<sup>2</sup> Rates as of remeasurement date 6/30/2021.

Home Health expects to recognize \$1,026,410 of loss amortization, no prior service cost amortization and no amortization of transition asset or obligation as components of net pension cost during the year ending June 30, 2022. Other components of net periodic pension cost, which are presented in other nonoperating losses, revenues, and gains on the Home Health statement of operations and changes in net assets, were \$1,335,143 and \$396,337 as of June 30, 2021 and 2020, respectively. In addition, Home Health recognized Settlement charges of \$831,416 within nonoperating losses, revenues, and gains and changes in net assets due to the VERP program in fiscal 2021.

The expected rate of return on plan assets assumption was developed based on historical returns for the major asset classes. This review also considered both current market conditions and projected future contributions.

Home Health utilizes published long-term high-quality corporate bond indices to determine the discount rate at measurement date. Where commonly available, Home Health considers indices of various durations to reflect the timing of future benefit payments.

# Christiana Care Health System and Affiliates

## Notes to Consolidated Financial Statements

### June 30, 2021 and 2020

#### Plan Assets

Pension plan weighted target and actual average asset allocations at June 30, 2021 and June 30, 2020 were comprised of 100% fixed income securities.

The investment policy incorporates a liability-driven investment approach that focuses on the funded status of the Plan and seeks to match the duration of the assets with that of the liabilities. As such, the investment portfolio allocation is comprised of 100% long duration fixed income securities. The Plan's financial condition is monitored on an ongoing basis by means of an annual funding review, an annual independent actuarial valuation, and quarterly investment portfolio reviews.

The following table represents the Plan's financial instruments as of June 30, 2021, measured at fair value on a recurring basis using the fair value hierarchy defined in Note 6:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 1,068,724	\$ -	\$ -	\$ 1,068,724
U.S. Government and agency securities	5,767,733	-	-	5,767,733
Corporate and other debt securities	-	34,793,915	-	34,793,915
	<u>\$ 6,836,457</u>	<u>\$ 34,793,915</u>	<u>\$ -</u>	<u>\$ 41,630,372</u>
Equity managed funds measured at net asset value				-
Total assets at fair value				<u>\$ 41,630,372</u>

The following table represents the Plan's financial instruments as of June 30, 2020, measured at fair value on a recurring basis using the fair value hierarchy defined in Note 6:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 333,749	\$ -	\$ -	\$ 333,749
U.S. Government and agency securities	8,597,455	-	-	8,597,455
Corporate and other debt securities	-	33,028,772	-	33,028,772
	<u>\$ 8,931,204</u>	<u>\$ 33,028,772</u>	<u>\$ -</u>	<u>\$ 41,959,976</u>
Equity managed funds measured at net asset value				-
Total assets at fair value				<u>\$ 41,959,976</u>

#### Contributions

During fiscal 2021, Home Health made contributions to the pension plan of \$4,300,000 and expects to contribute approximately \$1,100,000 during the fiscal year ending June 30, 2022. The actual pension plan contribution depends on interest rates, pension plan asset values, and legislated funding requirements.

#### Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

2022	\$ 2,326,951
2023	2,267,127
2024	2,404,475
2025	2,572,479
2026	2,713,563
Thereafter	13,477,381

# Christiana Care Health System and Affiliates

## Notes to Consolidated Financial Statements

### June 30, 2021 and 2020

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#### **Defined Contribution Retirement Plan**

Home Health began a defined contribution plan for all employees hired on or after August 26, 2007. Eligible employees in Home Health's noncontributory defined benefit pension plan also had the one time choice to switch to the defined contribution retirement plan effective January 1, 2008. Under the plan, Home Health contributes a percent of compensation quarterly based on an employee's years of vesting service. The employees vest in the employer contributions over a three-year period beginning on the employee's hire date. The expense incurred by Home Health for the year ended June 30, 2021 and 2020 was \$599,999 and \$656,047, respectively.

#### **Deferred Compensation Plan**

Home Health maintains a Tax-Deferred Annuity Plan (the "Plan") for all employees. Under the Plan, Home Health accumulates employee contributions which are transferred to and invested by the trustee. Home Health is not required to make additional contributions on behalf of employees and did not make any contributions in 2021 or 2020.

### **13. Self-Insurance Liabilities**

The System maintains self-insurance programs for worker's compensation, medical professional liability, and general liability claims coverage. Risk retention for the primary medical professional and primary general liabilities are insured under a retrospectively rated policy through an alternative risk finance program via the Captive as Christiana Care Insurance Company, Ltd ("CCIC"), a wholly owned subsidiary of Christiana Care Health Services, Inc. domiciled in the Cayman Islands. CCIC provides for indemnification to the System resulting from medical malpractice and general liability exposures in Delaware, Maryland, New Jersey, and Pennsylvania. The primary policy as of June 30, 2021 provides for a self-insured retention of \$4 million per medical incident or occurrence and an annual shared aggregate of \$35 million. In addition, a buffer policy provides medical professional liability coverage of \$2 million per medical incident or occurrence in excess of \$4 million with a \$2 million aggregate. For exposures specific to Pennsylvania, an additional buffer policy provides coverage for \$3 million in excess of \$1 million per medical incident. An excess umbrella liability coverage under a claims-made policy is established through full reinsurance with commercial carriers providing a total of \$60 million limits of liability above the primary coverage. Reinsurance premiums are determined by the commercial carriers. Effective May 1, 2021, CCIC also provides coverage under a claims-made deductible reimbursement policy to the System for professional and general liability related to Christiana Care Home Health and Community Service, Inc., executive risk, property, and cyber liabilities through third party carriers of \$1 million per occurrence with \$1 million in aggregate. Premiums under the retrospectively rated policy is recognized over the policy term and accrued for asserted and unasserted claims whether reported or unreported per actuarially determined projections at the 75% confidence level based upon loss experience.

# Christiana Care Health System and Affiliates

## Notes to Consolidated Financial Statements

### June 30, 2021 and 2020

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Union Hospital of Cecil County, a wholly owned subsidiary of Affinity, obtained its professional and general liability insurance from Freestate Healthcare Insurance Company, Ltd., a Cayman Islands company (“Freestate”) prior to March 1, 2021. Freestate was incorporated as of January 1, 2005 as a chartered captive insurance company for a group of not-for-profit hospitals in the State of Maryland. Freestate is governed by a Board of Directors selected by the shareholders. Freestate’s primary insurance is under the terms of a claims-made insurance policy and has limits of liability of \$1 million per claim and no aggregate limit per policy year. Freestate’s excess liability coverage insures individual occurrence limits of \$15 million and an annual aggregate limit of \$15 million. Legacy professional and general liabilities under Freestate will remain as run-off liabilities in Freestate because of Union Hospital of Cecil County’s departure from the group captive effective March 1, 2021. CCIC insures Union Hospital of Cecil County effective March 1, 2021 with a retroactive date of August 1, 1985 under the same retrospectively rated primary policy coverage provided to the System.

Actuarially determined undiscounted projections for medical malpractice and worker’s compensation claims at June 30, 2021 and 2020 amounted to \$80,201,370 and \$67,887,610, respectively and represent the value of claims that will be settled in the future based on anticipated payout patterns. The current portion of the accruals of \$19,323,499 and \$15,779,764 at June 30, 2021 and 2020, respectively, is recorded as a component of accounts payable and other accrued expenses on the consolidated balance sheet. A subsequent claim in excess of policy limits was reflected within both medical malpractice liabilities and reinsurance recoveries of \$3.5 million as the claim is fully reinsured under the excess umbrella liability coverage. The subsequent event did not impact the actuarial analysis as of June 30, 2021.

#### 14. Commitments and Contingencies

##### Litigation

Christiana Care Health Services, Christiana Care Home Health and Community Services, and Union Hospital of Cecil County are defendants in several matters of litigation all in the ordinary course of conducting business. Management believes the ultimate outcome of these matters will not have a material effect on Christiana Care’s financial position or the results of operations.

##### Commitments

In fiscal 2017, Christiana Care Health Services entered into a seven-year agreement with a vendor to provide healthcare IT software and solutions. Payments under this commitment will total \$163,674,466. At June 30, 2021, the remaining commitment is \$57,970,473, of which \$21,387,349 will be paid in fiscal 2022.

In fiscal 2020, Christiana Care Health Services entered into a partnership with a third party and established ChristianaCare-GoHealth Urgent Care, LLC. The purpose of the partnership was to operate various urgent care centers, and it is accounted for as an equity method investment for Christiana Care Health Services. As part of this arrangement, Christiana Care Health Services entered into a credit agreement and guaranty agreement with ChristianaCare-GoHealth Urgent Care, LLC totaling \$44,500,000 through fiscal year 2030. As of June 30, 2021, the loan receivable from the partnership was \$42,750,000.

**Christiana Care Health System and Affiliates**  
**Notes to Consolidated Financial Statements**  
**June 30, 2021 and 2020**

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**15. Concentrations of Credit Risk**

The financial instruments which potentially subject the System to concentrations of credit risk consist primarily of cash, cash equivalents, investments, and accounts receivable.

Included in accounts receivable are amounts related to the services performed for individuals, as well as under various contractual agreements with third-party payors. Management believes its concentration of credit risk, with respect to accounts receivable, is limited by a large customer base. The net patient account receivables payor mix for year ended June 30, 2021 is comprised of Commercial 50.3%, Medicaid 16.0%, Medicare 21.5%, and Self pay and other 12.2%.

**16. Liquidity and Availability**

As of June 30, 2021, and June 30, 2020, the System has the following financial assets available for general expenditure within one year of the balance sheet date:

	<b>2021</b>	<b>2020</b>
Cash and cash equivalents	\$ 280,290,758	\$ 240,115,848
Short-term investments	191,331,183	247,613,445
Patient accounts receivable, net	332,780,574	282,226,804
Other current assets	32,003,461	17,701,059
Investments	<u>2,330,670,533</u>	<u>1,758,749,485</u>
	<u>\$ 3,167,076,509</u>	<u>\$ 2,546,406,641</u>

The above assets are available for general expenditure within one year in the normal course of operations. The System defines general expenditure as an operating expense. Cash and cash equivalents above exclude cash received in advances from third party payors. Other current assets in the table above relate to nonpatient accounts receivables that the System expects to collect within one year. Assets limited as to use are comprised of board designated funds, which can be released by the Board and become available for general expenditure. In addition to the table above, assets limited to use as of June 30, 2021 and June 30, 2020 are \$26,961,704 and \$27,686,094, respectively. The System has long-term investments that could be made available for general expenditure within the next year, if needed.

The System invests cash in excess of daily requirements in either money market funds, short-term investments, or long-term investments. Investment decisions are made based on anticipated liquidity needs, such that financial assets are available as general expenditures, liabilities, and other obligations come due.

As of June 30, 2021, the System was in compliance with financial bond covenants.



**Christiana Care Health System and Affiliates**  
**Notes to Consolidated Financial Statements**  
**June 30, 2021 and 2020**

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**17. Functional Expenses**

The System provides general health care services to patients within its geographic region. Expenses related to providing these services for the year ended June 30, 2021 consisted of the following:

	<b>Healthcare Services</b>	<b>General and Administrative</b>	<b>Fundraising</b>	<b>Total</b>
<b>Expenses</b>				
Salaries and employee benefits	\$ 1,185,574,920	\$ 276,944,966	\$ 267,085	\$ 1,462,786,971
Supplies and other expenses	590,891,678	184,128,958	4,819,288	779,839,924
Interest expense	9,608,681	3,489,407	-	13,098,088
Depreciation	66,898,190	58,903,492	753	125,802,435
Total expenses	<u>\$ 1,852,973,469</u>	<u>\$ 523,466,823</u>	<u>\$ 5,087,126</u>	<u>\$ 2,381,527,418</u>

Expenses related to providing these services for the year ended June 30, 2020 consisted of the following:

	<b>Healthcare Services</b>	<b>General and Administrative</b>	<b>Fundraising</b>	<b>Total</b>
<b>Expenses</b>				
Salaries and employee benefits	\$ 1,122,697,655	\$ 227,635,160	\$ 129,167	\$ 1,350,461,982
Supplies and other expenses	493,943,322	177,523,054	5,767,631	677,234,007
Interest expense	5,425,167	1,988,016	-	7,413,183
Depreciation	58,721,549	53,728,355	344	112,450,248
Total expenses	<u>\$ 1,680,787,693</u>	<u>\$ 460,874,585</u>	<u>\$ 5,897,142</u>	<u>\$ 2,147,559,420</u>

The consolidated statement of operations and changes in net assets reports certain expense categories that are attributable to more than one health care service or support function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function, including depreciation, amortization and interest and other occupancy costs, are allocated to a function based on a square footage. IT expenses are allocated based on a percentage of services provided to each function.

**18. Leases**

The System has various operating and finance leases for office facilities and certain equipment with noncancelable terms expiring at various dates through 2040. The leases may have one or more renewal options, with terms to be determined at the time of renewal. The exercise of such lease renewal options is at the sole discretion of the System.

**Christiana Care Health System and Affiliates**  
**Notes to Consolidated Financial Statements**  
**June 30, 2021 and 2020**

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The components of lease costs are as follows:

	<b>2021</b>
Operating lease cost	<u>\$ 12,474,373</u>
Finance lease cost	
Amortization of right-of-use-assets	6,525,397
Interest on lease liabilities	<u>3,824,208</u>
Total finance lease cost	10,349,605
Short-term lease cost	3,080,567
Variable lease cost	6,185,746
Sublease income	<u>(846,654)</u>
Total lease cost	<u>\$ 31,243,637</u>

Supplemental consolidated balance sheet information related to leases is as follows:

	<b>Classification</b>	<b>2021</b>
<b>Assets</b>		
Operating lease	Other Assets	\$ 38,891,653
Finance lease	Property and equipment, net	<u>108,797,314</u>
Total leased assets		<u>\$ 147,688,967</u>
<b>Liabilities</b>		
Current liabilities		
Operating lease	Accounts payable and accrued expenses	\$ 11,260,414
Finance lease	Current portion of finance lease liabilities	5,173,149
Noncurrent liabilities		
Operating lease	Other liabilities	29,172,320
Finance lease	Finance leases, net of current portion	<u>115,899,246</u>
Total leased liabilities		<u>\$ 161,505,129</u>

Supplemental cash flow information related to our leases is as follows:

	<b>2021</b>
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows for operating leases	\$ 11,496,824
Operating cash flows for finance leases	5,410,098
Financing cash flows for finance leases	4,066,914
Right-of-use assets obtained in exchange for lease liabilities	
Operating leases	13,594,468
Finance leases	89,028

**Christiana Care Health System and Affiliates**  
**Notes to Consolidated Financial Statements**  
**June 30, 2021 and 2020**

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The weighted average remaining lease terms and discount rates were as follows:

	<b>2021</b>
Weighted Average Remaining Lease Term (in years)	
Operating lease	4.41
Finance Lease	18.01
Weighted Average Discount Rate	
Operating lease	3.12
Finance lease	3.26

Maturities of lease liabilities are approximately as follows:

<b>Year ending June 30,</b>	<b>Operating Leases</b>	<b>Finance Leases</b>
2022	\$ 12,527,825	\$ 9,346,169
2023	10,627,201	8,856,103
2024	6,734,270	8,773,417
2025	3,677,042	7,549,888
2026	2,954,285	7,880,227
2027 and thereafter	<u>7,803,196</u>	<u>119,693,103</u>
Total lease payments	44,323,819	162,098,907
Less: Interest portion	<u>(3,891,085)</u>	<u>(41,026,512)</u>
Total lease liabilities	<u>\$ 40,432,734</u>	<u>\$ 121,072,395</u>

As of June 30, 2021, future minimum lease payments under noncancelable operating leases are:

2021	\$ 12,017,919
2022	11,969,840
2023	9,981,262
2024	6,445,987
2025	3,677,042
Thereafter	10,757,480

**19. Subsequent Events**

The System has performed an evaluation of subsequent events through September 23, 2021, which is the date the consolidated financial statements were issued. There were no events that require adjustment to the audited consolidated financial statements or disclosure in the notes to the audited consolidated financial statements.

## **Consolidating Supplemental Schedules**

# Christiana Care Health System and Affiliates

## Consolidating Balance Sheet

### June 30, 2021

	Christiana Care Health System	Christiana Care Health Services		Christiana Care Health Initiatives	Christiana Care Home Health & Community Services	Christiana Care Health Plans	Eliminations	Christiana Care Health System & Affiliates
<b>Assets</b>								
Current assets								
Cash and cash equivalents	\$ 1,991,969	\$ 449,943,590	\$ 44,872,302	\$ 3,303,264	\$ 6,497,005	\$ 64,323	\$ -	\$ 506,672,453
Short-term investments	-	191,331,183	-	-	-	-	-	191,331,183
Patient accounts receivable, net	-	314,409,931	12,863,481	309,515	5,197,647	-	-	332,780,574
Assets limited as to use	-	534,927	-	-	-	-	-	534,927
Other current assets	1,318,908	106,055,767	7,830,678	766,521	652,002	-	(36,148,333)	80,475,543
Total current assets	3,310,877	1,062,275,398	65,566,461	4,379,300	12,346,654	64,323	(36,148,333)	1,111,794,680
Assets limited as to use	-	26,961,704	-	-	-	-	-	26,961,704
Long-term investments	-	2,366,779,926	78,561,439	-	15,371,120	-	(77,526,503)	2,383,185,982
Property and equipment, net	-	1,166,061,419	71,439,778	24,550	196,962	-	-	1,237,722,709
Other assets	3,807,332	238,804,399	19,599,810	217,276	64,694	-	(100,688,349)	161,805,162
Total assets	\$ 7,118,209	\$ 4,860,882,846	\$ 235,167,488	\$ 4,621,126	\$ 27,979,430	\$ 64,323	\$ (214,363,185)	\$ 4,921,470,237
<b>Liabilities and Net Assets</b>								
Current liabilities								
Current portion of long-term debt	\$ -	\$ 4,615,943	\$ 2,348,833	\$ -	\$ -	\$ -	\$ -	\$ 6,964,776
Current portion of finance lease liabilities	-	4,509,597	663,552	-	-	-	-	5,173,149
Accounts payable and accrued expenses	8,319,363	389,118,310	28,560,058	19,380,383	7,499,978	3,343	(36,148,333)	416,733,102
Advances from third party payors	-	201,618,213	24,880,551	-	-	-	-	226,498,764
Total current liabilities	8,319,363	599,862,063	56,452,994	19,380,383	7,499,978	3,343	(36,148,333)	655,369,791
Long-term debt, net of current portion	-	308,415,885	49,055,391	-	-	-	-	357,471,276
Finance leases, net of current portion	-	115,286,981	612,265	-	-	-	-	115,899,246
Pension and postretirement benefits	-	179,952,704	-	-	1,352,177	-	-	181,304,881
Other liabilities	-	171,248,613	20,430,497	-	1,534,649	-	(77,526,503)	115,687,256
Total liabilities	8,319,363	1,374,766,246	126,551,147	19,380,383	10,386,804	3,343	(113,674,836)	1,425,732,450
Net assets	(6,101,335)	3,418,353,090	105,230,629	(14,759,257)	17,446,874	60,980	(92,724,484)	3,427,506,497
Without donor restrictions								
With donor restrictions								
Purpose and time restricted	3,623,192	31,676,194	3,385,712	-	145,752	-	(6,686,876)	32,143,974
Perpetual in nature	1,276,989	36,087,316	-	-	-	-	(1,276,989)	36,087,316
Total net assets with donor restrictions	4,900,181	67,763,510	3,385,712	-	145,752	-	(7,963,865)	68,231,290
Total net assets	(1,201,154)	3,486,116,600	108,616,341	(14,759,257)	17,592,626	60,980	(100,688,349)	3,495,737,787
Total liabilities and net assets	\$ 7,118,209	\$ 4,860,882,846	\$ 235,167,488	\$ 4,621,126	\$ 27,979,430	\$ 64,323	\$ (214,363,185)	\$ 4,921,470,237

<sup>1</sup> Christiana Care Health Services excluding Union Hospital. This was reflected in consolidation in the prior year schedule.

The accompanying notes are an integral part of these consolidating financial statements.

# Christiana Care Health System and Affiliates

## Consolidating Balance Sheet

### June 30, 2020

	Christiana Care Health System	Christiana Care Health Services	Christiana Care Health Initiatives	Christiana Care Home Health & Community Services	Christiana Care Health Plans	Eliminations	Total								
<b>Assets</b>															
Current assets															
Cash and cash equivalents	\$ 1,787,840	\$ 495,822,157	\$ 1,807,995	\$ 15,947,722	\$ 65,563	\$ -	\$ 515,431,278								
Short-term investments	-	247,613,445	-	-	-	-	247,613,445								
Patient accounts receivable, net	-	276,541,894	831,519	4,853,390	-	-	282,226,804								
Assets limited as to use	-	49,854,384	-	-	-	-	49,854,384								
Other current assets	1,934,748	100,474,969	638,026	428,201	-	(21,057,423)	82,418,521								
Total current assets	3,722,588	1,170,306,850	3,277,540	21,229,313	65,563	(21,057,423)	1,177,544,432								
Assets limited as to use	-	27,686,094	-	-	-	-	27,686,094								
Long-term investments	27,544	1,802,140,128	-	11,885,311	-	(11,885,311)	1,802,167,672								
Property and equipment, net	-	1,242,009,624	43,214	80,670	-	-	1,242,133,508								
Other assets	5,640,743	84,126,994	221,762	192,145	-	(7,371,087)	82,810,557								
Total assets	\$ 9,390,875	\$ 4,326,269,689	\$ 3,542,516	\$ 33,387,440	\$ 65,563	\$ (40,313,821)	\$ 4,332,342,263								
<b>Liabilities and Net Assets</b>															
Current liabilities															
Current portion of long-term debt	\$ -	\$ 56,660,577	\$ -	\$ -	\$ -	\$ -	\$ 56,660,577								
Current portion of finance lease liabilities	-	5,238,832	-	-	-	-	5,238,832								
Accounts payable and accrued expenses	7,626,533	324,305,415	13,324,279	7,035,573	3,103	(21,057,423)	331,237,481								
Advances from third party payors	-	269,682,640	205,620	5,427,170	-	-	275,315,430								
Total current liabilities	7,626,533	655,887,464	13,529,899	12,462,743	3,103	(21,057,423)	668,452,320								
Long-term debt, net of current portion	-	366,568,616	-	-	-	-	366,568,616								
Finance leases, net of current portion	-	120,745,753	-	-	-	-	120,745,753								
Pension and postretirement benefits	-	188,481,797	-	3,065,293	-	-	191,547,090								
Other liabilities	2,480	115,653,504	-	1,117,145	-	(11,885,311)	104,887,819								
Total liabilities	7,629,013	1,447,337,134	13,529,899	16,645,181	3,103	(32,942,734)	1,452,201,598								
Net assets	(5,609,227)	2,818,242,603	(9,987,383)	16,660,393	62,460	-	2,819,368,848								
Without donor restrictions	-	-	-	-	-	-	-								
With donor restrictions	5,310,515	27,044,941	-	81,863	-	(5,310,515)	27,126,804								
Purpose and time restricted	2,060,572	33,645,012	-	-	-	(2,060,572)	33,645,012								
Perpetual in nature	7,371,087	60,689,953	-	81,863	-	(7,371,087)	60,771,816								
Total net assets with donor restrictions	1,761,861	2,878,932,556	(9,987,383)	16,742,256	62,460	(7,371,087)	2,880,140,664								
Total net assets	9,390,873	4,326,269,690	3,542,516	33,387,437	65,563	(40,313,821)	4,332,342,263								
Total liabilities and net assets															

The accompanying notes are an integral part of these consolidating financial statements.

# Christiana Care Health System and Affiliates

## Condensed Consolidating Statement of Operations

### Year Ended June 30, 2021

	Christiana Care Health System	Christiana Care Health Services			Christiana Care Health Initiatives	Christiana Care Home & Community Services	Christiana Care Health Plans	Eliminations	Christiana Care Health System & Affiliates
		Christiana Care Health Services <sup>1</sup>	Union Hospital						
<b>Operating revenues and other support</b>									
Net patient service revenue	\$ 307,311	\$ 2,169,972,698	\$ 173,050,343	\$ 3,288,597	\$ 44,435,509	\$ -	\$ -	\$ -	\$ 2,390,747,147
Other revenue	3,886,940	170,736,837	7,935,913	31,179	163,193	-	-	(9,866,121)	169,308,312
used for operations	4,194,251	2,228,893	223,512	-	93,302	-	-	-	6,432,647
Total operating revenues and other support	-	2,342,938,428	181,209,768	3,319,776	44,692,004	-	-	(9,866,121)	2,566,488,106
Salaries and employee benefits	4,690,496	1,326,312,605	95,711,491	1,811,775	38,978,621	-	-	(27,521)	1,462,786,971
Supplies and other expenses	-	697,458,742	74,397,400	6,256,726	6,873,680	1,480	-	(9,838,600)	779,839,924
Interest expense	-	11,261,040	1,837,048	-	-	-	-	-	13,098,088
Depreciation expense	-	116,237,828	9,519,990	18,664	25,953	-	-	-	125,802,435
Total operating expenses	4,690,496	2,151,270,215	181,465,929	8,087,165	45,878,254	1,480	-	(9,866,121)	2,381,527,418
Operating income	(496,245)	191,668,213	(256,161)	(4,767,389)	(1,186,250)	(1,480)	-	-	184,960,688
Investment return, net	4,135	492,481,564	15,984,313	-	3,486,576	-	-	-	511,956,588
Contribution received in acquisition of Affinity Health Alliance, Inc	-	-	-	-	-	-	-	-	-
Other nonoperating (losses), revenues, and gains	-	(18,531,796)	418,780	(4,486)	(1,335,144)	-	-	-	(19,452,646)
Settlement charge	-	(50,908,016)	-	-	(831,416)	-	-	-	(51,739,432)
Special termination benefit charge	-	(39,219,989)	-	-	-	-	-	-	(39,219,989)
Total nonoperating revenue, gains, and losses	4,135	383,821,763	16,403,093	(4,486)	1,320,016	-	-	-	401,544,521
Excess of revenues over expenses	\$ (492,110)	\$ 575,489,976	\$ 16,146,932	\$ (4,771,875)	\$ 133,766	\$ (1,480)	\$ -	\$ -	\$ 586,505,209

<sup>1</sup> Christiana Care Health Services excluding Union Hospital. This was reflected in consolidation in the prior year schedule.

The accompanying notes are an integral part of these consolidating financial statements.

# Christiana Care Health System and Affiliates Condensed Consolidating Statement of Operations Year Ended June 30, 2020

	Christiana Care Health System	Christiana Care Health Services	Christiana Care Health Initiatives	Christiana Care Home Health & Community Services	Christiana Care Health Plans	Eliminations	Total
<b>Operating revenues and other support</b>							
Net patient service revenue	\$ -	\$ 1,940,744,381	\$ 2,955,620	\$ 45,723,675	\$ -	\$ -	\$ 1,989,423,676
Other revenue	253,183	125,156,259	99,267	1,989,725	-	(9,877,571)	117,620,863
Net assets released from donor restrictions used for operations	4,077,388	2,242,270	-	5,628	-	-	6,325,286
Total operating revenues and other support	<u>4,330,571</u>	<u>2,068,142,910</u>	<u>3,054,888</u>	<u>47,719,028</u>	<u>-</u>	<u>(9,877,571)</u>	<u>2,113,359,825</u>
<b>Operating expenses</b>							
Salaries and employee benefits	-	1,310,632,522	1,479,264	38,368,072	-	(17,875)	1,350,461,982
Supplies and other expenses	5,811,803	667,633,608	6,471,884	7,170,998	5,410	(9,859,696)	677,234,007
Interest expense	-	7,413,183	-	-	-	-	7,413,183
Depreciation expense	-	112,407,944	19,488	22,815	-	-	112,450,248
Total operating expenses	<u>5,811,803</u>	<u>2,098,087,258</u>	<u>7,970,636</u>	<u>45,561,885</u>	<u>5,410</u>	<u>(9,877,571)</u>	<u>2,147,559,420</u>
Operating income	<u>(1,481,232)</u>	<u>(29,944,348)</u>	<u>(4,915,748)</u>	<u>2,157,143</u>	<u>(5,410)</u>	<u>0</u>	<u>(34,189,595)</u>
<b>Nonoperating revenues, gains, and losses</b>							
Investment return, net	(610)	141,307,763	-	976,193	-	-	142,283,346
Contribution received in acquisition of Affinity Health Alliance, Inc	-	92,724,484	-	-	-	-	92,724,484
Other nonoperating (losses), revenues, and gains	-	(11,798,174)	(114,875)	(396,337)	-	-	(12,309,386)
Total nonoperating revenue, gains, and losses	<u>(610)</u>	<u>222,234,073</u>	<u>(114,875)</u>	<u>579,856</u>	<u>-</u>	<u>-</u>	<u>222,698,444</u>
Excess of revenues over expenses	<u>\$ (1,481,842)</u>	<u>\$ 192,289,725</u>	<u>\$ (5,030,624)</u>	<u>\$ 2,736,999</u>	<u>\$ (5,410)</u>	<u>\$ 0</u>	<u>\$ 188,508,848</u>

The accompanying notes are an integral part of these consolidating financial statements.



# **Christiana Care Health System and Affiliates**

## **Notes to Consolidating Supplemental Schedules**

### **June 30, 2021 and 2020**

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#### **Basis of Presentation**

The accompanying supplemental consolidating information includes the consolidating balance sheets and the condensed consolidating statements of operations of the individual entities of Christiana Care Health System and Affiliates (the "System"). The consolidating information is prepared on the accrual basis of accounting. All intercompany accounts and transactions between entities have been eliminated. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements and is not required as part of the basic financial statements. The supplemental consolidating balance sheets are presented in accordance with accounting principles generally accepted in the United States of America consistent with the consolidated financial statements.

The supplemental condensed consolidating statements of operations are not intended to be a presentation in accordance with accounting principles generally accepted in the United States of America as a result of the exclusion of the changes in net assets.

## **Schedule of Expenditures of Federal Awards**

**Christiana Care Health System and Affiliates**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2021**

	<b>Assistance Listing Number</b>	<b>Additional Award Identification</b>	<b>Pass-Through Entity</b>	<b>Award/Pass Through Entity Sponsor Number</b>	<b>Total Expenditures (\$)</b>	<b>Passed to Subrecipients (\$)</b>
<b>Research and Development Cluster</b>						
<b>U.S. Department of Health and Human Services</b>						
Direct Awards						
Cancer Treatment Research	93.395	UG1CA189819 8/1/19 - 7/31/20 8/1/20-7/31/21			1,630,876	-
Total Department of Health and Human Services - Direct Awards					1,630,876	-
Pass Through Awards						
Research Related to Deafness and Communication Disorders	93.173		Temple University	260885-CCHS 12/15/17 - 11/30/21	9,318	-
Research and Training in Complementary and Integrative Health	93.213		NYU School of Medicine	17-A0-00-008501 5/15/18 - 6/30/21	13,943	-
Drug Abuse and Addiction Research Programs	93.279		Benten Technologies	NIDA-CCH-09-2019 8/1/19 - 8/31/21	8,489	-
Nursing Research	93.361		University of Delaware	55215 8/1/19 - 5/31/21	8,251	-
Cancer Cause and Prevention Research	93.393		University of Delaware	57648 4/1/20 - 3/31/22	62,460	-
Cancer Cause and Prevention Research	93.393		University of Delaware	45104 7/3/16 - 6/30/21	5,936	-
Subtotal 93.393					68,396	-
Cancer Treatment Research	93.395		Wistar Institute	23541-02-368 3/7/17 - 2/28/22	8,223	-
Cancer Biology Research	93.396		Wistar Institute	28995-03-359 8/1/20 - 7/31/21	4,734	-
Cancer Centers Support Grants	93.397		Wistar Institute	25552-02-199 3/1/20-2/28/21 25553-02-199 3/1/21-2/28/22	23,585	-
Cardiovascular Diseases Research	93.837		Columbia University	1(GG012232-01) 5/1/17 - 10/31/20	2,276	-
Cardiovascular Diseases Research	93.837		Columbia University	1(GG014778-01) 4/15/20-1/31/22	27,958	-
Subtotal 93.837					30,234	-

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of the schedule.

**Christiana Care Health System and Affiliates**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2021**

	<b>Assistance Listing Number</b>	<b>Additional Award Identification</b>	<b>Pass-Through Entity</b>	<b>Award/Pass Through Entity Sponsor Number</b>	<b>Total Expenditures (\$)</b>	<b>Passed to Subrecipients (\$)</b>
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853		University of Delaware	58251 9/15/20 - 8/31/21	2,622	-
Biomedical Research and Research Training	93.859		Dupont Hospital for Children	3014896050 5/1/20 - 6/30/21	35,899	-
Biomedical Research and Research Training	93.859		University of Delaware	54859 7/1/19 - 6/30/20	3,318	-
Biomedical Research and Research Training	93.859		University of Delaware	57927 7/1/20 - 6/30/21	982,540	-
Biomedical Research and Research Training	93.859		University of Delaware	57169 5/1/20 - 4/30/21	185,891	-
Biomedical Research and Research Training	93.859		University of Delaware	59154 5/1/21 - 4/30/22	27,949	-
Subtotal 93.859					<u>1,235,597</u>	<u>-</u>
Sexually Transmitted Diseases (STD) Provider Education Grants	93.865		Alfred I. duPont Hospital to Children of the Nemours Foundation	3004121007 8/1/17 - 7/31/20	1,763	-
Sexually Transmitted Diseases (STD) Provider Education Grants	93.865		Alfred I. duPont Hospital to Children of the Nemours Foundation	3004121014 9/1/20 - 8/31/21	13,492	-
Sexually Transmitted Diseases (STD) Provider Education Grants	93.865		RTI International	1-312-0216911-65653L 10/1/19 - 5/31/21	33,871	-
Sexually Transmitted Diseases (STD) Provider Education Grants	93.865		University of Delaware	44243 9/1/16 - 5/31/22	41,242	-
Subtotal 93.865					<u>90,368</u>	<u>-</u>
Aging Research	93.866		University of Delaware	51131 7/15/18 - 3/31/22	41,173	-
Total Department of Health and Human Services - Pass Through Awards					<u>1,544,933</u>	<u>-</u>
Total Department of Health and Human Services					<u>3,175,809</u>	<u>-</u>

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of the schedule.

**Christiana Care Health System and Affiliates**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2021**

	<b>Assistance Listing Number</b>	<b>Additional Award Identification</b>	<b>Pass-Through Entity</b>	<b>Award/Pass Through Entity Sponsor Number</b>	<b>Total Expenditures (\$)</b>	<b>Passed to Subrecipients (\$)</b>
<b>National Science Foundation</b>						
Pass Through Awards						
Education and Human Resources	47.076		Delaware Technical & Community College	1700660-0405 7/1/20-6/30/21	23,715	-
Education and Human Resources	47.076		Delaware Technical & Community College	2000696-01 7/1/20-6/30/21	82,598	-
Total National Science Foundation					<u>106,313</u>	<u>0.00</u>
<b>U.S. Department of Agriculture</b>						
Pass Through Awards						
Agriculture and Food Research Initiative (AFRI)	10.310		Board of Regents of the University of Oklahoma Health Sciences Center	RS20170146 4/1/20 - 3/31/22	10,626	-
Total Department of Agriculture					<u>10,626</u>	<u>-</u>
<b>U.S. Department of Defense</b>						
Pass Through Awards						
Military Medical Research and Development	12.420		National Trauma Institute	NTI-CLOTT17-01 9/30/17-9/29/20	13,749	-
Military Medical Research and Development	12.420		University of Maryland, Baltimore	F302348-4 7/1/20-6/30/21	2,644	-
Subtotal 12.420					<u>16,393</u>	<u>-</u>
Total Department of Defense					<u>16,393</u>	<u>-</u>
<b>Total Research and Development Cluster</b>					<b><u>3,309,141</u></b>	<b><u>-</u></b>

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of the schedule.

**Christiana Care Health System and Affiliates**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2021**

	<b>Assistance Listing Number</b>	<b>Additional Award Identification</b>	<b>Pass-Through Entity</b>	<b>Award/Pass Through Entity Sponsor Number</b>	<b>Total Expenditures (\$)</b>	<b>Passed to Subrecipients (\$)</b>
<b>Other Programs</b>						
<b>U.S. Department of Health and Human Services</b>						
Direct Awards						
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153	H12HA24785 8/1/12 - 7/31/22			466,395	-
COVID-19 - Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153	H1XHA37048 4/1/20 - 3/31/21			28,583	-
Subtotal 93.153					494,978	-
COVID-19 Testing for the Uninsured	93.461	Delaware Hospital			2,178,852	-
COVID-19 Testing for the Uninsured	93.461	Maryland Hospital			231,083	-
Subtotal 93.461					2,409,935	-
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	H76HA00176 3/1/97 - 4/30/22			972,882	-
COVID-19 - Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	H7CHA37351 4/1/20 - 3/31/21			94,992	-
Subtotal 93.918					1,067,874	-
COVID-19 Provider Relief Funds	93.498				63,649,414	-
Subtotal 93.498					63,649,414	-
Total Department of Health and Human Services - Direct Awards					67,622,201	-
Pass Through Awards						
HIV-Related Training and Technical Assistance	93.145		University of Pittsburgh	CNVA00050178 (132978-1) 7/1/19 - 6/30/20	1,724	-
HIV-Related Training and Technical Assistance	93.145		University of Pittsburgh	CNVA00050178 (134540-7), CNVA00050178 (135293-3), CNVA00050178 (135565-7) 7/1/20-6/30/21	209,422	-
COVID-19 - HIV-Related Training and Technical Assistance	93.145		University of Pittsburgh	AWD00002368 (134508-7) 4/1/20 - 3/31/21	33,243	-

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of the schedule.

**Christiana Care Health System and Affiliates**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2021**

	<b>Assistance Listing Number</b>	<b>Additional Award Identification</b>	<b>Pass-Through Entity</b>	<b>Award/Pass Through Entity Sponsor Number</b>	<b>Total Expenditures (\$)</b>	<b>Passed to Subrecipients (\$)</b>
Subtotal 93.145					244,389	-
Family Planning Services	93.217		Delaware Department of Health and Social Services	18-083 1/1/21 - 3/31/21	109,575	-
Family Planning Services	93.217		Delaware Department of Health and Social Services	17-451 1/1/21 - 3/31/21	5,123	-
Family Planning Services	93.217		Delaware Department of Health and Social Services	19-127 1/1/21 - 3/31/21	5,583	-
Subtotal 93.217					120,281	-
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243		Brandywine Counseling Delaware	1H79TI024454-01 11/1/18-10/31/21	96,490	-
Opioid STR	93.788		Delaware Department of Health and Social Services	FY20-SOR-SBHC-CCHS 9/30/19 - 9/29/20	266,313	-
Maternal, Infant and Early Childhood Home Visiting Grant Program	93.870		Delaware Department of Health and Social Services	20-314 11/1/19 - 6/30/21	401,917	-
COVID-19 - National Bioterrorism Hospital Preparedness Program	93.889		Delaware Healthcare Association	6 U3REP200625-01-02 4/9/20 - 4/9/25	143,243	-
HIV Care Formula Grants	93.917		Delaware Department of Health and Social Services	20-389 4/1/20 - 3/31/21	4,075,392	-
HIV Care Formula Grants	93.917		Delaware Department of Health and Social Services	21-375 4/15/21 - 3/31/22	1,237,339	-
Subtotal 93.917					5,312,731	-
Maternal and Child Health Services Block Grant to the States	93.994		Delaware Department of Health and Social Services	19-372 4/1/19 - 6/30/21	86,151	-
Total Department of Health and Human Services - Pass Through					6,671,515	-
Total Department of Health and Human Services					74,293,716	-

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of the schedule.

**Christiana Care Health System and Affiliates**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2021**

	<b>Assistance Listing Number</b>	<b>Additional Award Identification</b>	<b>Pass-Through Entity</b>	<b>Award/Pass Through Entity Sponsor Number</b>	<b>Total Expenditures (\$)</b>	<b>Passed to Subrecipients (\$)</b>
<b>Federal Communications Commission</b>						
Direct Awards						
COVID-19 - Telehealth Program	32.006	0013-78338 3/13/20-12/31/20			607,140	-
Total Federal Communications Commission					<u>607,140</u>	<u>-</u>
<b>U.S. Department of the Treasury</b>						
Pass Through Awards						
COVID-19 - Coronavirus Relief Fund	21.019		Delaware Health and Social Services	CCHS Certification 11/9/20	2,348,020	-
COVID-19 - Coronavirus Relief Fund	21.019		New Castle County	NCC:HEGrant00042 3/1/20-6/30/21	681,947	-
COVID-19 - Coronavirus Relief Fund	21.019		New Castle County	NCC:INNGrant00069 11/15/20-3/31/21	100,000	-
Subtotal 21.019					<u>3,129,967</u>	<u>-</u>
Total Department of the Treasury					<u>3,129,967</u>	<u>-</u>
<b>U.S. Department of Justice</b>						
Pass Through Awards						
Criminal and Juvenile Justice and Mental Health Collaboration Program	16.745		New Castle County Division of Police	600247 6/1/20-5/31/23	84,008	-
Criminal and Juvenile Justice and Mental Health Collaboration Program	16.745		New Castle County Division of Police	600248 11/15/20-5/31/23	163,396	-
Subtotal 16.745					<u>247,404</u>	<u>-</u>
Total Department of Justice					<u>247,404</u>	<u>-</u>

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of the schedule.



**Christiana Care Health System and Affiliates**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2021**

	<b>Assistance Listing Number</b>	<b>Additional Award Identification</b>	<b>Pass-Through Entity</b>	<b>Award/Pass Through Entity Sponsor Number</b>	<b>Total Expenditures (\$)</b>	<b>Passed to Subrecipients (\$)</b>
<b>U.S. Department of Agriculture</b>						
Pass Through Awards						
			Delaware Department of Health and Social Services	20-142 10/1/19 - 9/30/20	35,822	-
			Delaware Department of Health and Social Services	21-123 10/1/20 - 9/30/21	100,146	-
	10.557				<u>135,968</u>	<u>-</u>
	10.557				<u>100,146</u>	<u>-</u>
	Subtotal 10.557				<u>135,968</u>	<u>-</u>
Total Department of Agriculture					<u>135,968</u>	<u>-</u>
<b>Total Other Programs</b>					<u>78,414,195</u>	<u>-</u>
<b>Total Federal Award Expenditures</b>					<u>81,723,336</u>	<u>-</u>

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of the schedule.

**Christiana Care Health System and Affiliates**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2021**

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**1. Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal grant activity of Christiana Care Health System and Affiliates (the “System”) for the year ended June 30, 2021. The information in this schedule is presented on the accrual basis of accounting, which is in accordance with the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). The System applies its predetermined approved facilities and administrative rate when charging indirect costs to federal awards rather than 10% de minimus cost rate as described in Section 200.414 of the Uniform Guidance.

Negative amounts on the schedule represent adjustments or credits in the normal course of business to amounts reported as expenditures in prior years. Assistance Listing and pass-through award numbers are present where available.

**2. Department of Health and Human Services Provider Relief Funds**

The Schedule includes grant activity related to the Department of Health and Human Services (“HHS”) Coronavirus Aid Relief and Economic Security (CARES) Act Assistance Listing Number 93.498. As required based on guidance in the 2021 OMB Compliance Supplement, the Schedule includes all Period 1 funds received between April 10, 2020 and June 30, 2020 and expended by June 30, 2021 as reported to HRSA via the PRF Reporting Portal. The Schedule thus includes \$8,414,616 of direct expenditures and \$55,234,798 in lost revenue.

**3. HRSA COVID-19 Testing and Treatment for the Uninsured**

The System conducted COVID-19 testing and/or provided treatment for uninsured individuals with a COVID-19 primary diagnosis on or after February 4, 2020 and as such has requested claims reimbursement under Assistance Listing #93.461 Health Resources and Services Administration's (“HRSA”) COVID-19 Claims Reimbursement to Health Care Providers and Facilities for Testing, Treatment and Vaccine Administration for the Uninsured program. The System has recorded \$2,409,935 on the Schedule of Expenditures of Federal Awards reimbursed for the year ended June 30, 2021 from HRSA. Reimbursements are recognized within the Schedule of Expenditures of Federal Awards in the period approved and reimbursed by HRSA.

## **Part II**

### **Reports on Internal Control and Compliance**



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

To the Board of Directors of  
Christiana Care Health System and Affiliates

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Christiana Care Health System and Affiliates (the "System"), which comprise the consolidated balance sheet as of June 30, 2021, and the related consolidated statements of operations and changes in net assets and consolidated statement of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 23, 2021.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests



disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

*Prucwik & Gopers LLP*

Philadelphia, Pennsylvania  
September 23, 2021



**Report of Independent Auditors on Compliance with Requirements  
That Could Have a Direct and Material Effect on Each Major Program and on  
Internal Control Over Compliance in Accordance with the Uniform Guidance**

To the Board of Directors of  
Christiana Care Health System and Affiliates

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

We have audited Christiana Care Health System and Affiliates' (the System's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the System's major federal programs for the year ended June 30, 2021. The System's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the System's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the System's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on Each Major Federal Program***

In our opinion, the System complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.



## Report on Internal Control Over Compliance

Management of the System is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the System's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the System's internal control over compliance.

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

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

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

*PricewaterhouseCoopers LLP*

Philadelphia, Pennsylvania  
June 29, 2022

### **Part III**

## **Schedule of Findings and Questioned Costs**



**Christiana Care Health System and Affiliates  
 Schedule of Findings and Questioned Costs  
 June 30, 2021**

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**Section I - Summary of Auditor's Results**

***Consolidated Financial Statements***

- (i) Type of auditor's report issued: Unmodified
- (ii) Internal control over financial reporting:  
 Material weakness(es) identified? \_\_\_ yes X no  
 Significant deficiency(ies) identified that are  
 not considered to be material weaknesses? \_\_\_ yes X none reported
- (iii) Noncompliance material to financial statements  
 noted? \_\_\_ yes X no

***Federal Awards***

- (iv) Internal control over major programs:  
 Material weakness(es) identified? \_\_\_ yes X no  
 Significant deficiency(ies) identified that are  
 not considered to be material weaknesses? \_\_\_ yes X none reported
- (v) Type of auditor's report issued on compliance  
 for major programs: Unmodified
- (vi) Any audit findings disclosed that are required  
 to be reported in accordance with  
 2 CFR 200.516(a)? \_\_\_yes X no

**Assistance Listing Number(s)**

**Name of Federal Program or Cluster**

21.019	COVID-19 - Coronavirus Relief Fund
93.461	COVID-19 - HRSA COVID-19 Uninsured Program
93.498	COVID-19 - Provider Relief Fund

- (viii) Dollar threshold used to distinguish between  
 Type A and Type B programs: \$2,451,700
- (ix) Auditee qualified as low-risk auditee? X yes \_\_\_ no

**Christiana Care Health System and Affiliates  
Schedule of Findings and Questioned Costs  
June 30, 2021**

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**Section II - Financial Statement Findings and Responses**

None noted.

**Section III - Federal Award Findings and Questioned Costs**

None noted.

**Part IV**

**Summary Schedule of Prior Audit Findings**

**Christiana Care Health System and Affiliates  
Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2021**

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**Section III - Federal Award Findings and Questioned Costs**

There are no matters from prior years that required an update in this report.