Christiana Care Health System and Affiliates

Report on Federal Awards in Accordance with the Uniform Guidance
June 30, 2020
Federal Entity Identification Numbers
52-1479538 and 51-0103684

Christiana Care Health System and Affiliates
Index
June 30, 2020

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

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, 2020 and 2019, and the related consolidated statements of operations and changes in net assets and 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, 2020 and 2019, and the results of its operations, changes in its net assets, and its 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 consolidating supplemental schedules is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has not

been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Information (Schedules 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, 2020 is 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 October 16, 2020 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, 2020. 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

Baltimore, Maryland
October 16, 2020

Christiana Care Health System and Affiliates
Consolidated Balance Sheets
June 30, 2020 and 2019

	2020	2019
Assets		
Current assets		
Cash and cash equivalents	$ 515,431,278	$ 114,487,107
Short-term investments	247,613,445	188,510,758
Patient accounts receivable, net	282,226,804	309,251,789
Assets limited as to use	49,854,384	-
Other current assets	82,418,521	65,445,909
Total current assets	1,177,544,432	677,695,563
Assets limited as to use	27,686,094	30,023,062
Long-term investments	1,802,167,672	1,726,043,742
Property and equipment, net	1,242,133,508	1,103,104,695
Other assets	82,810,557	33,316,527
Total assets	$ 4,332,342,263	$ 3,570,183,589
Liabilities and Net Assets		
Current liabilities		
Current portion of long-term debt	$ 56,660,577	$ 164,735,000
Current portion of finance lease liabilities	5,238,832	-
Accounts payable and accrued expenses	331,237,481	309,198,816
Advances from third party payors	275,315,430	-
Total current liabilities	668,452,320	473,933,816
Long-term debt, net of current portion	366,568,616	75,717,898
Finance leases, net of current portion	120,745,753	-
Pension and postretirement benefits	191,547,090	87,038,576
Other liabilities	104,887,819	182,320,612
Total liabilities	1,452,201,598	819,010,902
Net assets		
Without donor restrictions	2,819,368,848	2,689,784,650
With donor restrictions		
Purpose and time restricted	27,126,804	30,745,682
Perpetual in nature	33,645,012	30,642,355
Total net assets with donor restrictions	60,771,816	61,388,037
Total net assets	2,880,140,664	2,751,172,687
Total liabilities and net assets	$ 4,332,342,263	$ 3,570,183,589

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, 2020 and 2019

	2020	2019
Operating revenues and other support		
Net patient service revenue	$ 1,989,423,676	$ 2,021,886,977
Other revenue	117,620,863	57,510,824
Net assets released from donor restrictions used for operations	6,325,286	3,772,706
Total operating revenues and other support	2,113,369,825	2,083,170,507
Operating expenses		
Salaries and employee benefits	1,350,461,982	1,248,772,699
Supplies and other expenses	677,234,007	616,412,346
Interest expense	7,413,183	3,621,366
Depreciation expense	112,450,248	102,110,732
Total operating expenses	2,147,559,420	1,970,917,143
Operating (loss) income	(34,189,595)	112,253,364
Nonoperating revenues, gains, and losses		
Investment return, net	142,283,346	100,154,884
Contribution received in acquisition of Affinity Health Alliance, Inc.	92,724,484	
Other nonoperating (losses), revenues, and gains	(12,309,386)	(3,413,397)
Total nonoperating revenues, gains, and losses	222,698,444	96,741,487
Excess of revenues over expenses	$ 188,508,848	$ 208,994,851

(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, 2020 and 2019

	2020	2019
Change in net assets without donor restrictions		
Excess of revenues over expenses	$ 188,508,848	$ 208,994,851
Net assets released from donor restrictions used for purchase of property and equipment	9,492,801	6,241,247
Other changes in pension and postretirement liabilities	(68,417,452)	(57,656,352)
Increase in net assets without donor restrictions	129,584,198	157,579,746
Change in net assets with donor restrictions		
Contributions	10,093,620	11,011,834
Contribution received in acquisition of Affinity Health Alliance, Inc.	3,063,684	-
Investment return, net	2,078,231	1,551,791
Net assets released from donor restrictions	(15,818,087)	(10,013,953)
Change in value of assets	(33,669)	(36,775)
(Decrease) Increase in net assets with donor restrictions	(616,221)	2,512,897
Increase in net assets	128,967,978	160,092,643
Net assets		
Beginning of year	2,751,172,687	2,591,080,044
End of year	$ 2,880,140,664	$ 2,751,172,687

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, 2020 and 2019

	2020	2019
Cash flows from operating activities		
Change in net assets	$ 128,967,978	$ 160,092,643
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	111,638,295	102,156,386
Net realized and unrealized (gains) losses on investments	(113,446,537)	(69,341,157)
Restricted contributions received	(10,598,069)	(1,798,037)
Other changes in pension and postretirement benefits	68,417,452	57,656,352
(Increase) decrease in		
Patient accounts receivable	44,820,676	(21,393,889)
Other current assets	(9,496,734)	(4,122,789)
Other assets	(15,413,069)	(6,004,782)
Increase (decrease) in		
Accounts payable, accrued salaries, and other accrued expenses	9,172,269	23,982,387
Advances from third party payers	275,315,430	-
Pension and postretirement benefits	36,189,728	(47,428,304)
Other liabilities	57,806,273	7,443,410
Net cash provided by operating activities	487,585,524	201,242,220
Cash flows from investing activities		
Purchase of property and equipment	(163,486,837)	(170,471,836)
Proceeds from sale of investments and assets limited as to use	1,197,446,915	823,384,551
Purchase of investments and assets limited as to use	(1,205,471,619)	(856,545,056)
Cash received from Affinity acquisition	9,577,892	-
Loan made to third party	(3,700,000)	-
Net cash used in investing activities	(165,633,649)	(203,632,341)
Cash flows from financing activities		
Net borrowings under line of credit agreement	50,000,000	-
Proceeds from issuance of long-term debt	264,915,000	-
Repayment of long-term debt	(242,254,227)	(8,150,000)
Payment of debt issuance costs	(1,130,609)	-
Principal payments under finance leases	(2,018,515)	-
Restricted contributions received	10,598,069	1,798,037
Securities lending	(1,117,422)	980,097
Net cash provided by (used in) financing activities	78,992,296	(5,371,866)
Net increase (decrease) increase in cash and cash equivalents	400,944,171	(7,761,987)
Cash and cash equivalents		
Beginning of year	114,487,107	122,249,094
End of year	$ 515,431,278	$ 114,487,107
Supplemental disclosure of cash flow information		
Cash paid for interest, net of amounts capitalized	$ 1,723,215	$ 2,665,961
Accrued property and equipment acquisitions	14,245,684	13,227,518
Assets acquired under capital leases	-	119,056,489

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

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 fund raising activities for the benefit of the Christiana Care affiliates.

Health Services is a Delaware non-profit corporation which owns and operates Christiana Hospital, Wilmington Hospital, a free-standing emergency department, a physician network, residency training programs and numerous ambulatory care centers and physician offices. Health Services primary activity is to provide healthcare services to residents of Delaware, and surrounding counties located in Maryland, Pennsylvania, and New Jersey.

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. The Captive also reinsures excess umbrella liability coverage to Health Services.

On January 1, 2020, Health Services acquired Affinity Health Alliance, Inc. ("Affinity"). 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. ("Ventures") and provides radiation oncology services under Union Hospital of Cecil County Oncology, Inc. Union Hospital of Cecil County, Inc. obtains primary medical professional liability and primary general liability insurance coverage from a group captive, separate from Health Services' Captive, which is discussed in Note 13.

Health Initiatives, a non-profit corporation, provides health services primarily in physician office locations.

Home Health is a non-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.

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
Investments		61,272,792
Property and equipment, net		87,035,567
Other assets		9,108,491
Total assets acquired	$	192,266,310
Liabilities		
Accounts payable and accrued expenses	$	12,766,150
Third-party payer advances		3,166,333
Long-term debt		56,885,210
Self insurance liabilities		8,853,757
Other liabilities		14,806,692
Total liabilities assumed	$	96,478,142
Excess of assets acquired over liabilities assumed	$	95,788,168
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	$	95,788,168

The following table summarizes 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:

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

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, useful lives of property and equipment, 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, 2020 and 2019, 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.

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.

The System classifies investments as trading securities. 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 5-40 years, equipment 3-20 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.

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.

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, 2020 and June 30, 2019.

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 $13,814 and $1,131,236 of collateral investments at June 30, 2020 and 2019, 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 the System's endowment spending policy.

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, 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.

Recently Adopted Accounting Pronouncements
The System adopted ASC 842 as of July 1, 2019 using the optional transition method with the cumulative effect adjustment applied at the effective date. Prior comparative periods were not adjusted and continue to be reported in accordance with ASC Topic 840, *Leases*.

The System elected the package of practical expedients, which permitted the System not to reassess under ASC 842 the System's prior conclusions about lease identification, lease classification, and initial direct costs. The System elected an accounting policy, whereas the lessee, it applies a single discount rate to a portfolio of leases. The System elected to apply hindsight when determining the lease term at July 1, 2019. The System did not elect the practical expedient pertaining to land easements, as it was not applicable to the System. The System chose to combine lease and non-lease components.

The adoption of the standard resulted in the recognition of operating lease right-of-use assets of $25,010,676 and corresponding operating lease liabilities at July 1, 2019. The acquisition of Affinity, resulted in the recognition of operating lease right-of-use assets of $13,931,692 and operating lease liabilities of $14,806,692 at January 1, 2020. The System did not recognize a cumulative-effect adjustment to net assets upon adoption. There was no impact to the System's liquidity or debt covenants as a result of adoption.

3. CARES Act

In December 2019, a novel strain of coronavirus (now referred to as COVID-19) surfaced in Wuhan, China, and rapidly spread around the world, resulting in significant business and social disruption along with the loss of thousands of lives. The coronavirus was declared a "Public Health Emergency of International Concern" by the World Health Organization (WHO) on January 30, 2020, which is a designation reserved for extraordinary events (this is the 6th time in history that this type of event has been declared). By mid-March, the WHO characterized the outbreak as a "pandemic."

In the United States, the coronavirus outbreak began in late January 2020 in Washington state, and on March 13, 2020, President Donald Trump declared a national emergency. By March 17, 2020, the coronavirus was present in all 50 states. On March 27, 2020, President Trump signed a $2 trillion stimulus bill, known as the CARES (Coronavirus Aid, Relief, and Economic Security) Act, which provided financial aid to hospitals, among many other provisions.

Provider Relief Funds
The CARES Act provided additional waivers, reimbursement, grants and other funds to assist health care providers during the COVID-19 pandemic, including $100 billion in appropriations for the Public Health and Social Services Emergency Fund, also referred to as the Provider Relief Fund, to be used for preventing, preparing, and responding to the coronavirus, and for reimbursing eligible health care providers for lost revenues and health care related expenses that are

attributable to COVID-19. These health care related expenses could include costs associated with constructing temporary structures or emergency operation centers, retrofitting facilities, purchasing medical supplies and equipment including personal protective equipment and testing supplies, and increasing workforce and trainings.

As part of the CARES Act, the System received $63,649,414 in provider relief funding during fiscal year 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.

In September 2020, the U.S. Department of Health and Human Services (HHS) issued new reporting requirements for the CARES Act provider relief funding. The new requirements first require the System to identify healthcare related expenses attributable to COVID-19 that another source has not reimbursed. If those expenses do not exceed the funding received, the System will need to demonstrate that the remaining provider relief funds were used for a negative change in calendar year 2020 patient care operating income compared to calendar year 2019. These new reporting requirements are considered a nonrecognized subsequent event under ASC 855. HHS is entitled to recoup amounts in excess of the negative change in patient care operating income reported net of healthcare related expenses attributable to COVID-19. Due to these new reporting requirements, it is reasonably possible that amounts recorded under CARES Act provider relief fund by the System may change in future periods.

Medicare Accelerated and Advance Payments Program
In accordance with the CARES Act, CMS temporarily expanded its current Accelerated and Advance Payment Program for Medicare providers. Under this program, qualified healthcare providers could receive advanced or accelerated payments from CMS. The System received $270,871,215 of advanced payments under this program. These payments were received in April 2020. Amounts received under the Accelerated and Advance Payment Program are reflected in advances from third party payers on the consolidated balance sheet.

Repayment of amounts received under the Accelerated and Advance Payment Program are due over a 29 month period after the advanced payment was 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. At this time, CMS has not started the recoupment process for the System.

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, 2020, the System deferred $13,040,124 of payroll taxes. These amounts are recorded in other liabilities on the consolidated balance sheet.

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.

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 2020 and 2019 net patient service revenue increased $312,427 and $1,926,176, 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, 2020 and 2019.

The composition of net patient service revenues by payor for the years ended June 30, 2020 and June 30, 2019 are as follows:

	2020	2019
Medicare	$ 673,971,081	$ 651,749,148
Medicaid	297,029,424	283,866,390
Commercial insurance	920,612,011	997,208,665
Self-pay and other	97,811,160	89,062,774
	$ 1,989,423,676	$ 2,021,886,977

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 because they share similar historical collection patterns.

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 not 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.

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, 2020 and June 30, 2019 are as follows:

	2020		2019	
Provider relief funding	$ 63,649,414	54.1 %	$ -	0.0 %
Research and grant revenue	18,661,300	15.9	18,671,742	32.5
Retail pharmacy revenue	15,184,983	12.9	15,266,062	26.5
Service agreements	14,040,730	11.9	13,398,523	23.3
Rental, cafeteria, & other revenue	6,084,436	5.2	10,174,497	17.7
Other revenue	$ 117,620,863	100.0 %	$ 57,510,824	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 $21.8 million and $15.7 million in 2020 and 2019, 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.
- 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, 2020 and 2019 is set forth in the following table. Investments and assets limited as to use are stated at fair value.

	2020	2019
Short-term investments	$ 247,613,445	$ 188,510,758
Assets limited as to use		
Externally designated by bond trustee		
Escrow funds	49,854,384	-
Internally designated by Board of Directors		
Infant mortality	11,912,792	13,461,771
Harrington VIP/VICP fund	10,197,015	11,231,384
Translational cancer research	5,576,287	5,329,907
Total assets limited as to use	77,540,478	30,023,062
Long-term investments		
Without donor restrictions	1,758,749,486	1,672,857,093
Purpose restricted	12,042,336	23,373,295
Perpetual in nature	31,375,850	29,813,354
Total long-term investments	1,802,167,672	1,726,043,742
Total investments and assets limited as to use	$ 2,127,321,595	$ 1,944,577,562

Within the consolidated statement of operations and changes in net assets, investment return without donor restrictions for June 30, 2020 and 2019 is comprised of the following:

	2020	2019
Interest and dividend income	$ 30,545,613	$ 31,914,919
Net realized gains	71,872,968	47,403,745
Net unrealized gains	39,864,765	20,836,220
	$ 142,283,346	$ 100,154,884

Similarly, investment return with donor restrictions for June 30, 2020 and 2019 is comprised of the following:

	2020	2019
Interest and dividend income	$ 335,758	$ 413,825
Net realized gains	1,119,443	853,354
Net unrealized gains	623,030	284,612
	$ 2,078,231	$ 1,551,791

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, 2020, and 2019 there were no transfers between Levels 1, 2, and 3.

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	1,000,343,987	699,686,108	8,711,223	1,708,741,318
Total assets at fair value	$ 1,000,343,987	$ 699,686,108	$ 8,711,223	1,708,741,318
Other investments measured at net asset value				418,580,278
Total assets at fair value				$ 2,127,321,596

The following table illustrates the change in Level 3 assets:

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

The following table presents the financial instruments carried at fair value as of June 30, 2019 in accordance with the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
Investments and assets limited as to use				
Money market funds	$ 278,622,223	$ -	$ -	$ 278,622,223
U.S. Government and agency securities	96,118,979	-	-	96,118,979
Corporate and other debt securities	-	466,556,509	-	466,556,509
Equity securities	633,909,952	155,204,325	-	789,114,277
Investment held by others	-	-	8,460,320	8,460,320
Total investments and assets limited as to use	1,008,651,154	621,760,834	8,460,320	1,638,872,308
Total assets at fair value	$ 1,008,651,154	$ 621,760,834	$ 8,460,320	1,638,872,308
Other investments measured at net asset value				305,705,254
Total assets at fair value				$ 1,944,577,562

The following table illustrates the change in Level 3 assets:

	Investments Held by Others
Fair value at June 30, 2018	$ 8,497,095
Change in value of assets	(36,775)
Fair value at June 30, 2019	$ 8,460,320

7. Property and Equipment

A summary of property and equipment at June 30, 2020 and 2019 is as follows:

	2020	2019
Land and land improvements	$ 83,445,370	$ 69,965,646
Buildings and building improvements	1,705,074,200	1,376,928,252
Equipment	904,623,233	744,599,836
	2,693,142,803	2,191,493,734
Accumulated depreciation	(1,531,006,895)	(1,290,720,941)
	1,162,135,908	900,772,793
Construction-in-progress	79,997,600	202,331,902
	$ 1,242,133,508	$ 1,103,104,695

Depreciation expense amounted to $112,450,248 and $102,110,732 in 2020 and 2019, respectively. In 2020 and 2019, the System incurred total interest costs of $10,102,248 and $6,152,000, respectively, of which $5,738,604 in 2020 and $3,841,863 in 2019 has been capitalized. For the year ended June 30, 2020, the System incurred $4.3 million to dispose of the original parking garage structure at the Wilmington Hospital. There were no significant disposals of property and equipment for the year ended June 30, 2019. At June 30, 2020 construction contracts of $291,625,421 exist primarily for various expansion and other facility improvements. The remaining commitment on these contracts was $52,391,771.

8. Other Current Assets and Other Assets

Other Current Assets at June 30, 2020 and 2019 consist of the following:

	2020	2019
Inventories	$ 40,220,809	$ 32,314,006
Prepaid expenses	24,413,345	17,930,356
Other	17,784,367	15,201,547
	$ 82,418,521	$ 65,445,909

Other Assets at June 30, 2020 and 2019 consist of the following:

	2020	2019
Right of use assets	$ 36,201,687	$ -
Other receivables	24,458,299	15,941,437
Other	22,150,571	17,375,090
	$ 82,810,557	$ 33,316,527

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, 2020 and 2019:

	2020	2019
Health care services	$ 4,063,552	$ 3,410,069
Purchases of buildings and equipment	6,622,002	11,966,932
Education, research and other operational needs	16,441,250	15,368,681
	$ 27,126,804	$ 30,745,682

Net assets with donor restrictions that are perpetual in nature consist of the following at June 30, 2020 and 2019:

	2020	2019
Investments held in perpetuity	$ 24,933,789	$ 22,182,035
Investments held in trust by others	8,711,223	8,460,320
	$ 33,645,012	$ 30,642,355

10. Endowments

The Systems' endowment consists of twenty-two individual 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.

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, 2020 and 2019:

	2020		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Endowment funds			
Donor restricted	$ -	$ 36,606,960	$ 36,606,960
Board designated	27,686,094	-	27,686,094
Total endowment funds	$ 27,686,094	$ 36,606,960	$ 64,293,054

	2019		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Endowment funds			
Donor restricted	$ -	$ 38,142,788	$ 38,142,788
Board designated	30,023,062	-	30,023,062
Total endowment funds	$ 30,023,062	$ 38,142,788	$ 68,165,850

Changes in endowment net assets for the year ended June 30, 2020 and 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at June 30, 2019	$ 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	(2,804,299)	(6,365,812)	(9,170,111)
Endowment net assets at June 30, 2020	$ 27,686,094	$ 36,606,960	$ 64,293,054

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at June 30, 2018	$ 31,431,438	$ 37,890,697	$ 69,322,135
Investment return, net	293,770	1,551,791	1,845,561
Contributions	-	1,157,673	1,157,673
Appropriation of endowment assets for expenditure	(1,702,146)	(2,457,373)	(4,159,519)
Endowment net assets at June 30, 2019	$ 30,023,062	$ 38,142,788	$ 68,165,850

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

	2020	2019
Endowment funds restricted for specific purpose		
Restricted for health care services	$ 3,253,300	$ 3,219,851
Restricted for building and maintenance	1,034,614	6,140,868
Restricted for program support	7,385,257	6,600,034
Endowment funds held in perpetuity		
Restricted for salary support	11,526,060	11,574,173
Restricted for program support	13,407,729	10,607,862
Total endowment funds classified as net assets with donor restrictions	$ 36,606,960	$ 38,142,788

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, 2020 and June 30, 2019.

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.

11. Debt

Long-term debt at June 30, 2020 and 2019 consisted of the following:

	Interest Rates	Final Maturity	2020	2019
Line of Credit	variable	2021	$ 50,000,000	$ -
DHFA Series 2020 Revenue Bonds				
2020A	4.0% to 5.0%	2049	247,255,000	-
2020B	1.64% to 1.79%	2023	17,660,000	-
DHFA Series 2010 Revenue Bonds				
2010A	4.00% to 5.00%	2040	-	57,640,000
2010B	variable	2040	-	67,300,000
2010C	variable	2040	-	22,430,000
2010D	2.44%	2020	-	4,285,000
2010E	3.01%	2025	-	16,560,000
DHFA Series 2008 Revenue Bonds				
2008A	variable	2038	-	50,020,000
2008B	variable	2038	-	22,770,000
MHHEFA Series 2014 Revenue Bonds	3.42%	2039	30,118,000	-
MHHEFA Series 2012 Revenue Bonds				
2012A	3.34%	2022	2,225,264	-
2012B-2	2.75%	2022	987,326	-
Town of Elkton, Maryland Series 2012 Revenue Bonds				
2012A	2.73%	2036	7,332,299	-
2012-B1	2.73%	2036	4,283,700	-
2012C	2.73%	2031	9,000,000	-
			368,861,589	241,005,000
Unamortized premium (discount)			56,775,770	731,169
Debt issuance costs			(2,408,166)	(1,283,271)
Current maturities			(56,660,577)	(8,360,000)
Long-term variable rate debt classified as current				(156,375,000)
			$ 366,568,616	$ 75,717,898

In 2020, Health Services borrowed $50,000,000 on a line of credit with PNC bank. These funds will be used as needed to support working capital needs.

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 October 2020 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 April 2020 as they were legally defeased.

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.

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:

2021	$ 56,660,577
2022	6,788,833
2023	6,838,377
2024	6,978,481
2025	7,206,491
Thereafter	284,388,830
	$ 368,861,589

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.

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, 2020 and June 30, 2019:

	Pension Benefits		Postretirement Benefits	
	2020	2019	2020	2019
Change in benefit obligation				
Benefit obligation at beginning of year	$ 988,921,664	$ 848,843,908	$ 83,664,144	$ 74,389,592
Service cost	30,169,359	27,413,130	1,299,241	1,137,562
Interest cost	31,180,012	32,921,889	2,643,143	2,895,182
Actuarial loss (gain)	166,324,148	134,818,205	8,215,960	8,594,165
Retiree contributions	-	-	385,440	405,599
Benefits paid	(66,493,002)	(55,075,468)	(3,612,799)	(3,757,956)
Benefit obligation at end of year	$ 1,150,102,181	$ 988,921,664	$ 92,595,129	$ 83,664,144
Change in plan assets				
Fair value of plan assets at beginning of year	$ 981,445,345	$ 841,891,820	$ -	$ -
Actual return on Plan assets (net of expenses)	134,491,185	123,428,993	-	-
Employer contributions	-	71,200,000	3,227,359	3,352,357
Retiree contributions	-	-	385,440	405,599
Benefits paid	(66,493,002)	(55,075,468)	(3,612,799)	(3,757,956)
Fair value of plan assets at end of year	$ 1,049,443,528	$ 981,445,345	$ -	$ -
Reconciliation of funded status to net amount recognized in the balance sheet				
Amounts recorded as accrued liabilities	$ (100,658,653)	$ (7,476,319)	$ (92,595,129)	$ (83,664,144)
Funded status				
Current liabilities	$ -	$ -	$ (4,771,984)	$ (4,673,319)
Noncurrent liabilities	(100,658,653)	(7,476,319)	(87,823,145)	(78,990,825)
Accrued liability	(100,658,653)	(7,476,319)	(92,595,129)	(83,664,144)
Amounts recorded within net assets without donor restrictions				
Net prior service (credit)		-	(11,033,356)	(17,029,745)
Actuarial loss	258,780,799	204,131,778	23,911,537	17,115,957
Net amount recognized at year end	$ 158,122,146	$ 196,655,459	$ (79,716,948)	$ (83,577,932)
Accumulated benefit obligation	$ 1,006,496,204	$ 858,378,232	$ -	$ -

	Pension Benefits		Postretirement Benefits	
	2020	2019	2020	2019
Weighted-average assumptions used to determine benefit obligations at June 30				
Discount rate	2.375 %	3.250 %	2.375 %	3.250 %
Rate of compensation increase	2.00% FY21, 3.00% thereafter	3.000 %		

	Pension Benefits 2020	Pension Benefits 2019	Postretirement Benefits 2020	Postretirement Benefits 2019
Components of net periodic benefit cost				
Service cost	$ 30,169,359	$ 27,413,130	$ 1,299,241	$ 1,137,562
Interest cost	31,180,012	32,921,889	2,643,143	2,895,182
Expected return on plan assets	(38,646,330)	(35,789,650)	-	-
Amortization of prior service cost (credit)	-	-	(5,996,389)	(5,996,389)
Recognized actuarial loss	15,830,272	5,400,194	1,420,380	198,321
Net periodic benefit cost	38,533,313	29,945,563	(633,625)	(1,765,324)
Other changes in pension liability recognized in net assets without donor restrictions				
Net actuarial loss	70,479,293	47,178,862	8,215,960	8,594,165
Amortization of (gain)	(15,830,272)	(5,400,194)	(1,420,380)	(198,321)
Amortization of prior service credit	-	-	5,996,389	5,996,389
Total recognized in net assets without donor restrictions	54,649,021	41,778,668	12,791,969	14,392,233
Total recognized in net benefit cost and net assets without donor restrictions	$ 93,182,334	$ 71,724,231	$ 12,158,344	$ 12,626,909

	Pension Benefits 2020	Pension Benefits 2019	Postretirement Benefits 2020	Postretirement Benefits 2019
Weighted-average assumptions used to determine net periodic benefit cost at beginning of fiscal year				
Discount rate	3.250 %	4.000 %	3.250 %	4.000 %
Expected return on plan assets	4.250 %	4.250 %		
Rate of compensation increase	3.000 %	3.000 %		

Health Services expects to recognize $26,541,067 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, 2021, and expects to recognize $2,526,211 of loss amortization, $(5,996,389) of prior service (credit) amortization and no amortization of transition asset or obligation as components of net postretirement benefit cost during the year ending June 30, 2021. 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 $6,431,088 and ($370,453) as of June 30, 2020 and 2019, respectively.

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.

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, 2020 and 2019 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, 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	$ 315,120,476	$ 734,323,052	$ -	$ 1,049,443,528

The following table represents the Plan's financial instruments as of June 30, 2019, 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	$ 17,415,752	$ -	$ -	$ 17,415,752
U.S.Government and agency securities	176,582,902	26,126,937	-	202,709,839
Corporate and other debt securities	-	761,315,781	-	761,315,781
Equity securities	3,973	-	-	3,973
Total assets at fair value	$ 194,002,627	$ 787,442,718	$ -	$ 981,445,345

Contributions

During the 2020 fiscal year, Health Services did not make any contributions to the pension plan. Although Health Services expects to make a contribution during fiscal 2021, the amount cannot be reasonably estimated at this time. Health Services made contributions to the postretirement benefit plan of $3,227,359 during fiscal 2020 and expects to contribute approximately $4,771,984 during the fiscal year ending June 30, 2021. The actual pension plan contribution may be higher or lower depending 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:

	Pension Benefits	Postretirement Benefits
2021	$ 66,852,730	$ 4,771,984
2022	66,129,792	4,934,598
2023	65,725,655	5,025,167
2024	66,603,904	5,040,498
2025	69,126,764	5,122,329
2026-2030	355,201,324	26,026,700

The annual rate of increase assumed in the per capita cost of covered health care benefits was 6.70% and 7.00% for the Pre 65 and Post 64 participants, respectively, for June 30, 2020; the rates are assumed to decrease gradually to 4.98% for the fiscal year 2039 and remain at that level thereafter.

	1-Percentage Point Increase	1-Percentage Point Decrease
Effect on total service and interest cost	$ 43,530	$ (40,789)
Effect on postretirement benefit obligation	557,979	(524,696)

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 for the year ended June 30, 2020 and 2019 was $17,129,610 and $17,337,669, 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. Contributions for the years ended June 30, 2020 and 2019 were $19,211,180 and $17,765,599, 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.

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, 2020 and June 30, 2019:

	2020	2019
Change in benefit obligation		
Benefit obligation at beginning of year	$ 40,234,334	$ 36,161,599
Service cost	1,121,059	1,078,610
Interest cost	1,275,439	1,409,254
Actuarial loss (gains)	5,078,953	4,228,711
Benefits paid	(2,684,524)	(2,643,840)
Benefit obligation at end of year	$ 45,025,261	$ 40,234,334
Change in plan assets		
Fair value of plan assets at beginning of year	$ 39,662,902	$ 36,019,431
Actual return on plan assets (net of expenses)	4,981,598	4,087,311
Employer contributions	-	2,200,000
Benefits paid	(2,684,524)	(2,643,840)
Fair value of plan assets at end of year	$ 41,959,976	$ 39,662,902
Reconciliation of funded status to net amount recognized in the balance sheet		
Amounts recorded as accrued liabilities		
Noncurrent liabilities	$ (3,065,292)	$ (571,432)
Accrued liability	(3,065,292)	(571,432)
Amounts recorded within net assets without donor restrictions		
Actuarial loss	11,008,188	10,031,729
Net amount recognized at year end	$ 7,942,896	$ 9,460,297
Accumulated benefit obligation	$ 40,923,194	$ 36,208,428

	Pension Benefits	
	2020	2019
Weighted-average assumptions used to determine benefit obligations at June 30		
Discount rate	2.375 %	3.250 %
Rate of compensation increase	2.00% for FY2021, 3.00% thereafter	3.000 %

	2020	2019
Components of net periodic benefit cost		
Service cost	$ 1,121,059	$ 1,078,610
Interest cost	1,275,439	1,409,254
Expected return on plan assets	(1,601,018)	(1,553,697)
Recognized actuarial loss	892,081	452,742
Amortization of prior service (credit)	(170,167)	(243,096)
Net periodic benefit cost	1,517,394	1,143,813
Other changes in pension liability recognized in net assets without donor restrictions		
Net actuarial (gain)	1,698,376	1,275,805
Amortization of (gain)	(892,081)	452,742
Amortization of prior service credit	170,167	(243,096)
Total recognized in net assets without donor restrictions	976,462	1,485,451
Total recognized in net benefit cost and net assets without donor restrictions	$ 2,493,856	$ 2,629,264

	Pension Benefits	
	2020	2019
Weighted-average assumptions used to determine net periodic benefit cost at beginning of fiscal year		
Discount rate	3.250 %	4.000 %
Expected return on plan assets	4.250 %	4.250 %
Rate of compensation increase	3.000 %	3.000 %

Home Health expects to recognize $1,326,225 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, 2021. 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 $ $396,337 and $65,203 as of June 30, 2020 and 2019, respectively.

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.

Plan Assets

Pension plan weighted target and actual average asset allocations at June 30, 2020 and June 30, 2019 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, 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
	$ 8,931,204	$ 33,028,772	$ -	41,959,976
Equity managed funds measured at net asset value				
Total assets at fair value				$ 41,959,976

The following table represents the Plan's financial instruments as of June 30, 2019, 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	$ 620,901	$ -	$ -	$ 620,901
U.S. Government and agency securities	9,388,016	-	-	9,388,016
Corporate and other debt securities	-	29,653,985	-	29,653,985
	$ 10,008,917	$ 29,653,985	$ -	39,662,902
Equity managed funds measured at net asset value				-
Total assets at fair value				$ 39,662,902

Contributions
During fiscal 2020, Home Health did not make any contributions to the pension plan. Although Home Health expects to make a contribution during fiscal 2021, the amount cannot be reasonably estimated at this time. 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:

2021	$ 2,439,057
2022	2,465,451
2023	2,499,129
2024	2,708,400
2025	2,733,537
Thereafter	13,789,556

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, 2020 and 2019 was $ 656,047 and $633,015, 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 2020 or 2019.

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. The Captive provides for indemnification to the System, excluding Affinity, resulting from medical malpractice and general liability exposures in Delaware, Maryland, New Jersey, and Pennsylvania. The policy provides for a self-insured retention of $3,500,000 per medical incident or occurrence and $25,000,000 in annual aggregate. In addition, a buffer policy provides medical professional liability coverage of $1,000,000 per medical incident or occurrence in excess of $3,500,000 with a $1,000,000 aggregate. An excess umbrella liability coverage under a claims-made policy was established through full reinsurance with commercial carriers providing a total of $60,000,000 in excess coverage. Premiums and reinsurance premiums under the retrospectively rated policy is recognized over the policy term and accrued for asserted and unasserted claims whether reported or unreported based on loss experience.

Union Hospital of Cecil County, a wholly owned subsidiary of Affinity, obtains its professional and general liability insurance from Freestate Healthcare Insurance Company, Ltd., a Cayman Islands company ("Freestate"). Freestate was incorporated as of January 1, 2005 as a chartered captive insurance company for a group of non-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 against losses in excess of the above primary coverage reported during the period of policy coverage. This excess liability insurance policy has an individual occurrence limit of $10 million and an annual aggregate limit of $10 million. Each hospital's annual premium is established through a retrospective rating process, with initial premiums based on actuarial estimates. Initial premiums are charged at the 75 percent confidence level and retrospective premium assessments are capped at an amount equal to the expected losses for the policy period at an 85 percent confidence level, in each case as determined by an independent actuary.

Actuarially determined undiscounted projections for medical malpractice and worker's compensation claims at June 30, 2020 and 2019 amounted to $67,887,610 and $56,658,073, 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 $15,779,764 and $17,506,000 at June 30, 2020 and 2019, respectively, is recorded as a component of accounts payable and other accrued expenses on the consolidated balance sheet.

14. Commitments and Contingencies

Litigation
Health Services and Home Health 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 Health Services or Home Health's financial position or the results of operations.

Commitments
In fiscal 2017, 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, 2020, the remaining commitment is $82,433,335, of which $24,462,862 will be paid in fiscal 2021.

In fiscal 2020, Health Services entered into a joint venture with a third party and established ChristianaCare-GoHealth Urgent Care, LLC. The purpose of the joint venture is to operate various urgent care centers, and it is accounted for as an equity method investment for Health Services. As part of this arrangement, Health Services entered into a credit agreement and guaranty agreement with ChristianaCare-GoHealth Urgent Care, LLC totaling $17,500,000 through fiscal year 2028. As of June 30, 2020, the loan receivable from the joint venture was $3,700,000.

15. Concentrations of Credit Risk

The financial instruments which potentially subject the System to concentrations of credit risk consist principally 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 several third-party payors. Management believes its concentration of credit risk, with respect to accounts receivable, is limited by a large customer base.

16. Liquidity and Availability

As of June 30, 2020, and June 30, 2019, the System has the following financial assets available for general expenditure within one year of the balance sheet date:

	2020	2019
Cash and cash equivalents	$ 240,115,848	$ 114,487,107
Short-term investments	247,613,445	188,510,758
Patient accounts receivable, net	282,226,804	309,251,789
Other current assets	17,701,059	12,320,398
Assets limited as to use	27,686,094	30,023,062
Investments	1,758,749,485	1,672,857,093
	$ 2,574,092,735	$ 2,327,450,207

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. 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, 2020, the System was in compliance with financial bond covenants.

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, 2020 consisted of the following:

	Healthcare Services	General and Administrative	Fundraising	Total
Expenses				
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	$ 1,680,787,693	$ 460,874,585	$ 5,897,142	$ 2,147,559,420

Expenses related to providing these services for the year ended June 30, 2019 consisted of the following:

	Healthcare Services	General and Administrative	Fundraising	Total
Expenses				
Salaries and employee benefits	$ 1,067,957,793	$ 180,814,906	$ -	$ 1,248,772,699
Supplies and other expenses	499,974,167	113,060,995	3,377,184	616,412,346
Interest Expense	3,252,850	368,516	-	3,621,366
Depreciation	76,507,862	25,602,870	-	102,110,732
Total expenses	$ 1,647,692,672	$ 319,847,287	$ 3,377,184	$ 1,970,917,143

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 non-cancelable 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.

The components of lease costs are as follows:

	2020
Operating lease cost	$ 11,962,979
Finance lease cost:	
Amortization of right-of-use-assets	5,983,950
Interest on lease liabilities	3,827,900
Total finance lease cost	9,811,850
Short-term lease cost	3,093,637
Variable lease cost	5,007,027
Sublease income	(457,592)
Total lease cost	$ 29,417,901

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

	Classification	2020
Assets		
Operating lease	Other Assets	$ 36,201,687
Finance lease	Property and equipment, net	115,894,022
Total leased assets		$ 152,095,709
Liabilities		
Current liabilities:		
Operating lease	Accounts payable and accrued expenses	$ 9,016,282
Finance lease	Current portion of finance lease liabilities	5,238,832
Noncurrent liabilities:		
Operating lease	Other liabilities	28,329,585
Finance lease	Finance leases, net of current portion	120,745,753
Total leased liabilities		$ 163,330,452

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

	2020
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows for operating leases	$ 10,601,056
Operating cash flows for finance leases	2,296,248
Financing cash flows for finance leases	2,018,515
Right-of-use assets obtained in exchange for lease liabilities:	
Operating leases	21,272,470
Finance leases	1,515,482

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

	2020
Weighted Average Remaining Lease Term (in years)	
Operating lease	4.85
Finance Lease	18.83
Weighted Average Discount Rate	
Operating lease	3.38
Finance lease	5.18

Maturities of lease liabilities are approximately as follows:

Year ending June 30,	**Operating Leases**	**Finance Leases**
2021	$ 11,236,924	$ 9,513,716
2022	8,869,432	9,204,309
2023	7,916,542	8,681,872
2024	4,712,487	8,599,185
2025	2,414,755	7,387,827
2026 and thereafter	6,083,124	127,557,564
Total lease payments	41,233,264	170,944,473
Less: Interest portion	(3,887,397)	(44,959,887)
Total lease liabilities	$ 37,345,867	$ 125,984,586

As of June 30, 2020, future minimum lease payments under noncancelable operating leases are:

2020	$ 8,431,093
2021	6,605,774
2022	5,487,630
2023	4,450,515
2024	1,976,016
Thereafter	563,549

Finance Leases
On March 1, 2019, the System entered into a lease agreement with an unrelated party for the lease of an office facility in Wilmington, Delaware. The lease term is 21 years, and the lease has been recorded as a finance lease. The System also leases an office facility in New Castle, Delaware, which was classified as a finance lease and is included in the table below. The total leased property of $125,284,638 is reflected in property and equipment as of June 30, 2019. Accumulated depreciation on the leased assets was $1,889,786 as of June 30, 2019. Depreciation expense on these leased assets is included within depreciation expense in the consolidated statements of operations and changes in net assets.

As of June 30, 2019, future minimum lease payments under finance leases are as follows:

2020	$ 3,786,247
2021	8,582,726
2022	8,613,507
2023	8,644,928
2024	8,677,633
Thereafter	134,945,391
Less: Amount representing interest	46,870,112
Present value of minimum lease payments	$ 126,380,320

19. Subsequent Events

The System has performed an evaluation of subsequent events through October 16, 2020, 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, 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
Assets							
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
Liabilities and Net Assets							
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							
Without donor restrictions	(5,609,227)	2,818,242,603	(9,987,383)	16,660,393	62,460	-	2,819,368,848
With donor restrictions							
Purpose and time restricted	5,310,515	27,044,941	-	81,863	-	(5,310,515)	27,126,804
Perpetual in nature	2,060,572	33,645,012	-	-	-	(2,060,572)	33,645,012
Total net assets with donor restrictions	7,371,087	60,689,953	-	81,863	-	(7,371,087)	60,771,816
Total net assets	1,761,861	2,878,932,556	(9,987,383)	16,742,256	62,460	(7,371,087)	2,880,140,664
Total liabilities and net assets	$ 9,390,873	$ 4,326,269,690	$ 3,542,516	$ 33,387,437	$ 65,563	$ (40,313,821)	$ 4,332,342,263

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

Christiana Care Health System and Affiliates
Consolidating Balance Sheet
June 30, 2019

	Christiana Care Health System	Christiana Care Health Services	Christiana Care Health Initiatives	Christiana Care Home Health & Community Services	Christiana Care Health Plans	Eliminations	Total
Assets							
Current assets							
Cash and cash equivalents	$ 1,837,610	$ 102,516,275	$ 1,710,558	$ 8,395,507	$ 27,157	$ -	$ 114,487,107
Short-term investments	-	188,510,758	-	-	-	-	188,510,758
Patient accounts receivable, net	-	304,981,613	401,392	3,868,784	-	-	309,251,789
Other current assets	1,515,199	77,610,325	277,522	353,169	-	(14,310,306)	65,445,909
Total current assets	3,352,809	673,618,971	2,389,472	12,617,460	27,157	(14,310,306)	677,695,563
Assets limited as to use	-	30,023,062	-	-	-	-	30,023,062
Long-term investments	28,054	1,726,015,688	-	10,909,829	-	(10,909,829)	1,726,043,742
Property and equipment, net	-	1,102,948,508	52,702	103,485	-	-	1,103,104,695
Other assets	7,140,467	33,958,607	336,637	(92)	-	(8,119,092)	33,316,527
Total assets	$ 10,521,330	$ 3,566,564,836	$ 2,778,811	$ 23,630,682	$ 27,157	$ (33,339,227)	$ 3,570,183,589
Liabilities and Net Assets							
Current liabilities							
Current portion of long-term debt	$ -	$ 164,735,000	$ -	$ -	$ -	$ -	$ 164,735,000
Accounts payable and accrued expenses	6,527,241	303,775,501	7,735,571	5,461,523	9,287	(14,310,306)	309,198,817
Total current liabilities	6,527,241	468,510,501	7,735,571	5,461,523	9,287	(14,310,306)	473,933,817
Long-term debt, net of current portion	-	75,717,898	-	-	-	-	75,717,898
Pension and postretirement benefits	-	86,467,144	-	571,432	-	-	87,038,576
Other liabilities	2,380	190,616,708	-	2,611,353	-	(10,909,829)	182,320,612
Total liabilities	6,529,621	821,312,251	7,735,571	8,644,308	9,287	(25,220,135)	819,010,903
Net assets							
Without donor restrictions	(4,127,384)	2,683,951,067	(4,956,759)	14,899,856	17,870	-	2,689,784,650
With donor restrictions							
Purpose and time restricted	7,290,092	30,659,164	-	86,518	-	(7,290,092)	30,745,682
Perpetual in nature	829,000	30,642,355	-	-	-	(829,000)	30,642,355
Total net assets with donor restrictions	8,119,092	61,301,519	-	86,518	-	(8,119,092)	61,388,037
Total net assets	3,991,708	2,745,252,586	(4,956,759)	14,986,374	17,870	(8,119,092)	2,751,172,687
Total liabilities and net assets	$ 10,521,329	$ 3,566,564,837	$ 2,778,812	$ 23,630,682	$ 27,157	$ (33,339,227)	$ 3,570,183,590

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
Operating revenues and other support							
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	4,330,571	2,068,142,910	3,054,888	47,719,028	-	(9,877,571)	2,113,369,825
Operating expenses							
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	5,811,803	2,098,087,258	7,970,636	45,561,885	5,410	(9,877,571)	2,147,559,420
Operating income	(1,481,232)	(29,944,348)	(4,915,748)	2,157,143	(5,410)	-	(34,189,595)
Nonoperating revenues, gains, and losses							
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	(610)	222,234,073	(114,875)	579,856	-	-	222,698,444
Excess of revenues over expenses	$ (1,481,842)	$ 192,289,725	$ (5,030,624)	$ 2,736,999	$ (5,410)	$ -	$ 188,508,848

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, 2019

	Christiana Care Health System	Christiana Care Health Services	Christiana Care Health Initiatives	Christiana Care Home Health & Community Services	Christiana Care Health Plans	Eliminations	Total
Operating revenues and other support							
Net patient service revenue	$ -	$ 1,973,908,782	$ 2,265,635	$ 45,712,560	$ -	$ -	$ 2,021,886,977
Other revenue	436,205	64,352,591	222,521	1,042,897	-	(8,543,390)	57,510,824
Net assets released from donor restrictions used for operations	1,641,896	2,125,515	-	5,295	-	-	3,772,706
Total operating revenues and other support	2,078,101	2,040,386,888	2,488,156	46,760,752	-	(8,543,390)	2,083,170,507
Operating expenses							
Salaries and employee benefits	-	1,207,870,374	1,297,516	39,621,823	-	(17,014)	1,248,772,699
Supplies and other expenses	3,575,726	608,875,670	4,969,835	7,497,175	20,316	(8,526,376)	616,412,346
Interest expense	-	3,621,366	-	-	-	-	3,621,366
Depreciation expense	-	102,060,631	23,102	26,999	-	-	102,110,732
Total operating expenses	3,575,726	1,922,428,041	6,290,453	47,145,997	20,316	(8,543,390)	1,970,917,143
Operating income	(1,497,625)	117,958,847	(3,802,297)	(385,245)	(20,316)	-	112,253,364
Nonoperating revenues, gains, and losses							
Investment return, net	3,535	99,524,924	-	626,425	-	-	100,154,884
Other nonoperating (losses), revenues, and gains	-	(3,154,865)	(193,324)	(65,208)	-	-	(3,413,397)
Total nonoperating revenue, gains, and losses	3,535	96,370,059	(193,324)	561,217	-	-	96,741,487
Excess of revenues over expenses	$ (1,494,090)	$ 214,328,906	$ (3,995,621)	$ 175,972	$ (20,316)	$ -	$ 208,994,851

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

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, 2020

Federal Program or Grant Name	CFDA	Additional Award Identification	Pass-Through Entity	Award/Pass Through Entity Sponsor Number	Total Expenditures ($)	Passed to Subrecipients ($)
Research and Development Cluster						
U.S. Department of Health and Human Services						
Direct Awards						
Cancer Treatment Research	93.395	UG1CA189819 8/1/14 - 7/31/19 UG1CA189819 8/1/19 - 7/31/20			$ 1,630,288	$ -
Total Department of Health and Human Services - Direct Awards					$ 1,630,288	$ -
Pass Through Awards						
Research Related to Deafness and Communication Disorders	93.173		Temple University	260885-CCHS 12/15/17 - 11/30/20	$ 701	$ -
Research and Training in Complementary and Integrative Health	93.213		NYU School of Medicine	17-A0-00-008501 5/15/18 - 6/30/20	$ 27,090	$ -
Research on Healthcare Costs, Quality and Outcomes	93.226		The Charlotte Mecklenburg Hospital Authority d/b/a Carolinas Medical Ctr	3000301409 (A18-0236-S001) 9/30/18 - 8/31/19	$ 4,567	$ -
Drug Abuse and Addiction Research Programs	93.279		Benten Technologies	NIDA-CCH-09-2019 8/1/19 - 8/31/20	$ 3,520	$ -
Nursing Research	93.361		University of Delaware	55215 8/1/19 - 5/31/20	$ 2,506	$ -
Cancer Cause and Prevention Research	93.393		University of Pennsylvania	564930 8/1/16 - 2/29/20	$ 30,343	$ -
Cancer Cause and Prevention Research	93.393		University of Delaware	45104 7/3/16 - 6/30/20	$ 5,772	$ -
Cancer Detection and Diagnosis Research	93.394		Thomas Jefferson University	080-03800-S31501 7/15/18 - 6/30/2020	$ 41,734	$ -
Cancer Detection and Diagnosis Research	93.394		Wistar Institute	25264-07-336 4/1/18 - 3/31/20	$ 18,481	$ -
Cancer Treatment Research	93.395		Wistar Institute	23541-02-368 3/7/17 - 2/28/20	$ 3,972	$ -
Cancer Biology Research	93.396		Wistar Institute	28993-03-359 8/1/18 - 7/31/20	$ 14,115	$ -
Cancer Centers Support Grants	93.397		Wistar Institute	2P30 CA010815-50 3/1/19 - 2/29/20	$ 18,033	$ -
Cancer Centers Support Grants	93.397		Wistar Institute	ADVANCED 3/1/20 - 2/28/21	$ -	$ -
Cardiovascular Diseases Research	93.837		Columbia University	1(GG012232-01) 5/1/17 - 10/31/20	$ 52,722	$ -
Biomedical Research and Research Training	93.859		Alfred I Dupont Hospital for Children	3014896047, 3014896048, 3014896049 5/1/18 - 4/30/20	$ 100,645	$ -
Biomedical Research and Research Training	93.859		University of Delaware	54859 7/1/19 - 6/30/20	$ 832,849	$ -
Biomedical Research and Research Training	93.859		University of Delaware	55472 5/16/19 - 4/30/20	$ 222,404	$ -

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

Christiana Care Health System and Affiliates
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Federal Program or Grant Name	CFDA	Additional Award Identification	Pass-Through Entity	Award/Pass Through Entity Sponsor Number	Total Expenditures ($)	Passed to Subrecipients ($)
Biomedical Research and Research Training	93.859		University of Delaware	57169 5/1/20 - 4/30/21	$ 26,982	$ -
Biomedical Research and Research Training	93.859		University of Delaware	55183 5/16/19 - 4/30/20	$ 12,535	$ -
Biomedical Research and Research Training	93.859		University of Delaware	ADVANCED AWD 5/16/19 - 4/30/20	$ -	$ -
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	$ 19,300	$ -
Sexually Transmitted Diseases (STD) Provider Education Grants	93.865		RTI International	1-312-0216911-65653L 10/1/19 - 5/31/21	$ 4,006	$ -
Sexually Transmitted Diseases (STD) Provider Education Grants	93.865		University of Maryland, Baltimore	1100549 3/10/14 - 6/30/17	$ 311	$ -
Sexually Transmitted Diseases (STD) Provider Education Grants	93.865		University of Delaware	44243 9/1/16 - 5/31/20	$ 86,352	$ -
Aging Research	93.866		University of Delaware	51131 7/15/18 - 3/31/20	$ 44,196	$ -
Total Department of Health and Human Services - Pass Through Awards					$ 1,573,137	$ -
Total Department of Health and Human Services					$ 3,203,425	$ -
National Science Foundation						
Pass Through Awards						
Education and Human Resources	47.076		Delaware Technical & Community College	170660-0405 7/1/17 - 6/30/20	$ 86,412	$ -
Total National Science Foundation					$ 86,412	$ -
U.S. Department of Agriculture						
Pass Through Awards						
Agriculture and Food Research Initiative (AFRI)	10.310		Board of Regents of the University of Oklahoma Health Sciences Center	RS20170146-04 9/9/19 - 3/31/21	$ 11,739	$ -
Total Department of Agriculture					$ 11,739	$ -
U.S. Department of Defense						
Pass Through Awards						

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

Christiana Care Health System and Affiliates
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Federal Program or Grant Name	CFDA	Additional Award Identification	Pass-Through Entity	Award/Pass Through Entity Sponsor Number	Total Expenditures ($)	Passed to Subrecipients ($)
Military Medical Research and Development	12.420		National Trauma Institute	NTI-CLOTT17-01 9/30/17-9/29/20	$ 53,885	$ -
Total Department of Defense					$ 53,885	$ -
Total Research and Development Cluster					**$ 3,355,461**	**$ -**
Other Programs						
U.S. Department of Health and Human Services						
Direct Awards						
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153	H12HA24785 8/1/12 - 7/31/20			$ 399,998	$ -
COVID-19 - Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153	H1XHA37048 4/1/20 - 3/31/21			$ 1,297	$ -
Subtotal 93.153					$ 401,295	$ -
COVID-19 Testing for the Uninsured	93.461				$ 995,095	$ -
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	H76HA00176 3/1/97 - 4/30/21			$ 971,683	$ -
COVID-19 - Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	H7CHA37351 4/1/20 - 3/31/21			$ 23,845	$ -
Subtotal 93.918					$ 995,528	$ -
Total Department of Health and Human Services - Direct Awards					$ 2,391,918	$ -
Pass Through Awards						
Maternal and Child Health Federal Consolidated Programs	93.110		The Children's Hospital of Philadelphia (CHOP)	3209610520 6/1/2019 - 5/31/20	$ 6,132	$ 3,961
HIV-Related Training and Technical Assistance	93.145		University of Pittsburgh	CNVA00050178 (132978-1) 7/1/19 - 6/30/20	$ 217,843	$ -
COVID-19 - HIV-Related Training and Technical Assistance	93.145		University of Pittsburgh	AWD00002368 (134508-7) 4/1/20 - 3/31/21	$ 6,757	$ -
Subtotal 93.145					$ 224,600	$ -
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243		Brandywine Counseling	1H79TI024454-01 11/1/18-10/31/21	$ 98,005	$ -

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

Christiana Care Health System and Affiliates
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Federal Program or Grant Name	CFDA	Additional Award Identification	Pass-Through Entity	Award/Pass Through Entity Sponsor Number	Total Expenditures ($)	Passed to Subrecipients ($)
State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)	93.757		Delaware Department of Health and Social Services	19-040 7/1/18 - 6/30/19	$ 403	$ -
Opioid STR	93.788		Delaware Department of Health and Social Services	FY20-SOR-SBHC-CCHS 9/30/19 - 9/29/20	$ 177,514	$ -
Organized Approaches to Increase Colorectal Cancer Screening	93.800		Delaware Department of Health and Social Services	20-039 7/1/19 - 6/30/20	$ 49,999	$ -
Maternal, Infant and Early Childhood Home Visiting Grant Program	93.870		Delaware Department of Health and Social Services	19-260 11/1/18 - 10/31/19	$ 223,097	
Maternal, Infant and Early Childhood Home Visiting Grant Program	93.870		Delaware Department of Health and Social Services	20-314 11/1/19 - 10/31/20	$ 110,165	
Subtotal 93.870					$ 333,262	$ -
HIV Care Formula Grants	93.917		Delaware Department of Health and Social Services	19-332 04/01/19 - 03/31/20	$ 4,229,728	$ -
HIV Care Formula Grants	93.917		Delaware Department of Health and Social Services	20-389 4/1/20 - 3/31/21	$ 1,108,430	$ -
Subtotal 93.917					$ 5,338,158	$ -
Assistance Programs for Chronic Disease Prevention and Control	93.945		Delaware Department of Health and Social Services	20-023 7/1/19 - 6/30/20	$ 30,202	$ -
Maternal and Child Health Services Block Grant to the States	93.994		Delaware Department of Health and Social Services	19-372 4/1/19 - 3/31/21	$ 96,100	$ -
Total Department of Health and Human Services - Pass Through					$ 6,354,376	$ 3,961
Total Department of Health and Human Services					$ 8,746,294	$ 3,961
National Endowment for the Arts						
Pass Through Awards						
Promotion of the Arts Partnership Agreements	45.025		Delaware Department of Health and Social Services	2020-9785 10/17/19 - 1/24/20	$ 1,000	$ -
Total National Endowment for the Arts					$ 1,000	$ -

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

Christiana Care Health System and Affiliates
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Federal Program or Grant Name	CFDA	Additional Award Identification	Pass-Through Entity	Award/Pass Through Entity Sponsor Number	Total Expenditures ($)	Passed to Subrecipients ($)
Pass Through Awards						
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557		Delaware Department of	19-265	$ 34,256	$ -
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557		Delaware Department of	20-142	$ 96,183	$ -
Subtotal 10.557					$ 130,439	$ -
Total Department of Agriculture					$ 130,439	$ -
Total Other Programs					**$ 8,877,733**	**$ 3,961**
Total Federal Award Expenditures					**$ 12,233,194**	**$ 3,961**

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

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, 2020. 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. Catalog of Federal Domestic Assistance (“CFDA”) and pass-through award numbers are present where available.

2. Department of Health and Human Services Provider Relief Funds

The System was the recipient of funding under CFDA # 93.498, Provider Relief Funds, and as required by the Addendum to the 2020 Compliance Supplement such expenditures have been excluded from the Schedule of Expenditures of Federal Awards for the year ending June 30, 2020.

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 CFDA #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 $995,095 on the Schedule of Expenditures of Federal Awards consisting of $995,095 reimbursed to date from HRSA on claims with service dates during fiscal year 2020.

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, 2020, and the related consolidated statements of operations and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 16, 2020.

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*.

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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.

PricewaterhouseCoopers LLP

Baltimore, Maryland
October 16, 2020

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
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, 2020. 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, 2020.

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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

Baltimore, Maryland
June 18, 2021

Part III
Schedule of Findings and Questioned Costs

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

Identification of Major Programs:

CFDA Number(s)	**Name of Federal Program or Cluster**
93.461	COVID-19 Testing for the Uninsured
93.917	HIV Care Formula Grants
93.918	Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease

(viii)	Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000	
(ix)	Auditee qualified as low-risk auditee?	__X_ yes	____ no

Section II - Financial Statement Findings and Responses

None noted.

Section III - Federal Award Findings and Questioned Costs

None noted.

Part IV
Summary Status of Prior Audit Findings

Section III - Federal Award Findings and Questioned Costs

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