

CONSOLIDATED FINANCIAL STATEMENTS
INCLUDING UNIFORM GUIDANCE REPORTS
AND SCHEDULES

Sanford
Years Ended December 31, 2022 and 2021
With Report of Independent Auditors

Ernst & Young LLP



Sanford

Consolidated Financial Statements
Including Uniform Guidance Reports
and Schedules

Years Ended December 31, 2022 and 2021

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Ernst & Young LLP
Suite 500
700 Nicollet Mall
Minneapolis, MN 55402

Tel: +1 612 343 1000
ey.com

Report of Independent Auditors

The Board of Trustees
Sanford

Opinion

We have audited the consolidated financial statements of Sanford, which comprise the consolidated balance sheet as of December 31, 2022, and the related consolidated statements of operations, changes in net assets, and cash flows for the year then ended, and the related notes (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Sanford at December 31, 2022, and the results of its operations, changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Sanford and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Report of Other Auditors on 2021 Financial Statements

The financial statements of Sanford for the year ended December 31, 2021 were audited by another auditor who expressed an unmodified opinion on those financial statements on March 31, 2022.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Sanford's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Sanford's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sanford's ability to continue as a going concern for a reasonable period of time.

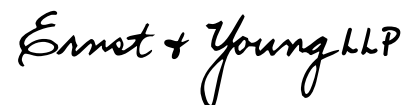
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal-control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Supplemental Financial Responsibility Schedule required by the U.S. Department of Education and the Schedule of Expenditures of Federal Awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2023, on our consideration of Sanford's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Sanford's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sanford's internal control over financial reporting and compliance.



March 29, 2023, except for the addition of Note 18 to the consolidated financial statements, Supplemental Financial Responsibility Schedule, and the Schedule of Expenditures of Federal Awards, for which the date is July 24, 2023

Sanford

Consolidated Balance Sheets (In Thousands)

	December 31	
	2022	2021
Assets		
Current assets:		
Cash	\$ 217,637	\$ 272,385
Short-term investments	296,071	323,914
Accounts receivable	868,796	724,239
Inventories	129,152	129,782
Other current assets	104,465	88,740
Total current assets	1,616,121	1,539,060
Assets held for sale	55,492	84,917
Investments	1,827,905	2,156,085
Assets whose use is limited	247,269	309,621
Property and equipment, net	2,814,484	2,887,779
Other assets:		
Right-of-use asset	87,539	75,304
Investment in joint ventures	49,298	44,998
Non-operating property	163,979	153,033
Goodwill and intangible assets	82,457	84,764
Notes receivable	56,105	36,695
Other assets	58,034	59,925
Total other assets	497,412	454,719
Total assets	\$ 7,058,683	\$ 7,432,181

Sanford

Consolidated Balance Sheets (continued)
(In Thousands)

	December 31	
	2022	2021
Liabilities and net assets		
Current liabilities:		
Current maturities of long-term debt	\$ 68,200	\$ 67,783
Current portion of other liabilities	116,515	144,444
Accounts payable	144,341	160,662
Accrued compensation and benefits	317,971	320,725
Medical claims payable	76,664	96,144
Other accruals and deferred revenue	191,026	222,957
Total current liabilities	<u>914,717</u>	1,012,715
Liabilities held for sale	19,670	48,243
Other liabilities:		
Operating leases	69,921	58,321
Deferred compensation	163,802	191,152
Defined benefit pension	–	23,290
Residential housing deposits	117,733	124,026
Other non-current liabilities	177,839	131,226
Total other liabilities	<u>529,295</u>	528,015
Long-term debt, less current maturities	<u>1,465,487</u>	1,534,072
Total liabilities	<u>2,929,169</u>	3,123,045
Commitments and contingencies (Note 13)	–	–
Net assets:		
Without donor restrictions – controlling interest	3,826,317	3,957,984
Without donor restrictions – non-controlling interest	13,918	24,136
With donor restrictions	289,279	327,016
Total net assets	<u>4,129,514</u>	4,309,136
Total liabilities and net assets	<u>\$ 7,058,683</u>	<u>\$ 7,432,181</u>

See notes to consolidated financial statements.

Sanford

Consolidated Statements of Operations (In Thousands)

	Year Ended December 31	
	2022	2021
Operating revenues:		
Patient revenue	\$ 4,200,704	\$ 4,115,069
Resident revenue	793,718	766,947
Premium revenue	888,019	1,149,584
Other operating revenue	1,202,936	1,107,143
Total operating revenues	<u>7,085,377</u>	<u>7,138,743</u>
Operating expenses:		
Salaries and benefits	3,539,098	3,503,522
Supplies	1,275,607	1,204,491
Purchased services and other	1,218,739	1,019,141
Medical claims	556,210	741,606
Depreciation and amortization	259,513	250,545
Interest	48,317	51,815
Total operating expenses	<u>6,897,484</u>	<u>6,771,120</u>
Income from operations	187,893	367,623
Non-operating (expense) income:		
Investment (loss) return	(296,715)	11,471
Other expenses	(42,504)	(31,739)
Net non-operating expense	<u>(339,219)</u>	<u>(20,268)</u>
(Deficiency) excess of revenues over expenses from continuing operations	(151,326)	347,355
Loss from discontinued operations	(12,130)	(107,124)
Plus deficiency of revenues over expenses attributable to non-controlling interest	<u>10,218</u>	<u>2,033</u>
(Deficiency) excess of revenues over expenses attributable to controlling interest	<u>\$ (153,238)</u>	<u>\$ 242,264</u>

See notes to consolidated financial statements.

Sanford

Consolidated Statements of Changes in Net Assets (In Thousands)

	Year Ended December 31	
	2022	2021
Net assets without donor restrictions – controlling interest:		
(Deficiency) excess of revenues over expenses attributable to controlling interest	\$ (153,238)	\$ 242,264
Net assets released from restrictions for acquisition of property and equipment	2,750	3,561
Pension plan related changes	18,185	26,704
Other changes in net assets	636	(1,778)
(Decrease) increase in net assets without donor restrictions – controlling interest	(131,667)	270,751
Net assets without donor restrictions – non-controlling interest:		
Deficiency of revenues over expenses	(10,218)	(2,033)
Contributions from non-controlling interests	–	10
Decrease in net assets without donor restrictions – non-controlling interest	(10,218)	(2,023)
Net assets with donor restrictions:		
Contributions	12,323	16,550
Investment (loss) return	(30,172)	22,588
Net assets released from restrictions	(19,888)	(58,602)
Decrease in net assets with donor restrictions	(37,737)	(19,464)
(Decrease) increase in net assets	(179,622)	249,264
Net assets – beginning of year	4,309,136	4,059,872
Net assets – end of year	\$ 4,129,514	\$ 4,309,136

See notes to consolidated financial statements.

Sanford

Consolidated Statements of Cash Flows (In Thousands)

	Year Ended December 31	
	2022	2021
Operating activities		
(Decrease) increase in net assets	\$ (179,622)	\$ 249,264
Decrease in net assets from discontinued operations	4,696	68,930
(Decrease) increase in net assets from continuing operations	(174,926)	318,194
Adjustments to reconcile increase in net assets from continuing operations to cash flows from continuing operating activities:		
Net realized and unrealized market loss (gain) on investments	385,491	(2,009)
Depreciation and amortization	259,513	250,545
Pension plan related changes	(18,185)	(26,704)
Contributions into non-controlling interest	—	(11)
Contributions restricted for long-lived purposes	(5,661)	(6,844)
Other changes in net assets	13,334	85,298
Changes in other operating elements:		
Accounts receivable and other assets	(153,625)	(51,719)
Accounts payable and other current liabilities	(107,088)	146,624
Deferred compensation liability	(27,350)	14,126
Other liabilities	27,360	(15,209)
Cash flows from continuing operating activities	198,863	712,291
Cash flows used in discontinued operating activities	(2,004)	(68,583)
Cash flows from operating activities	196,859	643,708
Investing activities		
Acquisition of property and equipment	(235,826)	(259,431)
Proceeds from sale of property and equipment	39,616	7,076
Purchases of investments and deferred compensation assets	(234,502)	(759,906)
Proceeds from sale of investments and deferred compensation assets	232,176	314,163
Increase in other assets	(26,642)	(4,469)
Cash flows used in continuing investing activities	(225,178)	(702,567)
Cash flows (used in) from discontinued investing activities	(224)	2,521
Cash flows used in investing activities	(225,402)	(700,046)

Sanford

Consolidated Statements of Cash Flows (continued) (In Thousands)

	Year Ended December 31	
	2022	2021
Financing activities		
Proceeds from issuance of long-term debt	\$ —	\$ 259,845
Extinguishment of long-term debt	—	(130,017)
Repayment of long-term debt	(61,938)	(51,732)
Net decrease of bond discounts, premiums and deferred financing costs	(6,230)	(13,290)
Proceeds from residential housing deposits and annuities issued	16,508	15,037
Refunds of residential housing deposits	(17,660)	(15,809)
Contributions into non-controlling interest	—	11
Proceeds from contributions restricted for long-lived purposes	5,661	6,844
Cash flows (used in) from continuing financing activities	(63,659)	70,889
Cash flows used in discontinued financing activities	(243)	(673)
Cash flows (used in) from financing activities	(63,902)	70,216
(Decrease) increase in cash and cash equivalents	(92,445)	13,878
Cash and cash equivalents – beginning of year	402,003	388,125
Cash and cash equivalents – end of year	\$ 309,558	\$ 402,003
Supplemental disclosures of non-cash investing and financing activities		
Property and equipment funded through accounts payable	\$ 10,836	\$ 14,508
Right-of-use asset financed by operating lease liabilities	32,952	21,036
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 56,457	\$ 50,573
Reconciliation of cash and cash equivalents		
Cash	\$ 217,637	\$ 272,385
Cash included in other current assets	205	221
Cash equivalents included in assets held for sale	8,459	10,930
Cash equivalents included in assets whose use is limited	83,257	118,467
	\$ 309,558	\$ 402,003

See notes to consolidated financial statements.

Sanford

Notes to Consolidated Financial Statements (Dollar Amounts in Thousands)

December 31, 2022 and 2021

1. Nature of Organization

Sanford, a nonprofit corporation headquartered in Sioux Falls, South Dakota, is the largest rural health system in the United States and is dedicated to transforming the health care experience and providing access to world-class health care in America's heartland. Sanford, and its wholly owned subsidiaries, serves more than one million patients and 200,000 health plan members across 250,000 square miles. The integrated health system has 46 medical centers, 220 clinic locations, 2,800 Sanford physicians and advanced practice providers delivering care in more than 80 specialties, 170 clinical investigators and research scientists, more than 200 Good Samaritan Society senior care locations and world clinics in 8 countries around the globe.

The consolidated financial statements include the accounts of Sanford, which incorporate both tax-exempt and taxable entities. All material intercompany balances and transactions have been eliminated in the consolidation.

2. Summary of Significant Accounting Policies

The consolidated financial statements are prepared on the accrual basis of accounting. The preparation of 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 and disclosures of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash

Cash consists of deposits in banks and does not include any cash equivalents. At times, cash accounts exceeded federally insured limits. Management believes that the institutions where cash accounts are maintained are financially stable and that the credit risk related to deposits is minimal.

Cash equivalents included in other current assets, assets held for sale, and assets whose use is limited include investments with maturities of 90 days or less from the date of purchase that have not otherwise been classified as long-term assets due to a designation for long-term purposes.

Sanford

Notes to Consolidated Financial Statements (continued)

(Dollar Amounts in Thousands)

2. Summary of Significant Accounting Policies (continued)

Inventories

Inventories are reported at the lower of cost or market. Inventories include supplies, which are generally based on average cost method, and pharmaceuticals, which are based on the first-in, first-out method.

Investments and Investment Return

Investments in equity securities with readily determinable fair values and all investments in debt securities are recorded at fair value in the consolidated balance sheets. Alternative investments that do not have readily determinable fair values are recorded at net asset value (NAV). Investment securities are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the value of investment securities could occur and such changes could materially affect the value of investments.

Investment return used to fund philanthropic initiatives is included in other operating revenue. All other investment return, including realized and unrealized gains and losses, are recorded as non-operating (expense) income, unless restricted by donors.

Property and Equipment

Land, land improvements, buildings, equipment (including software), and construction in process are reported at cost or market value at the time of purchase. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets as follows:

Land improvements	8–25 years
Buildings	20–40 years
Building equipment	5–25 years
Moveable equipment	3–20 years

Sanford

Notes to Consolidated Financial Statements (continued) (Dollar Amounts in Thousands)

2. Summary of Significant Accounting Policies (continued)

Management annually reviews the carrying value of long-lived assets for potential impairment. During 2022, damages caused by Hurricane Ian in Florida to a senior care campus resulted in \$50,526 of impairment losses for the year ended December 31, 2022 and are included within depreciation and amortization expense, offset by \$50,526 of anticipated insurance proceeds recorded within other operating revenue on the consolidated statement of operations and accounts receivable on the consolidated balance sheet. There were no impairment losses during the year ended December 31, 2021.

Non-operating Property

Non-operating property consists primarily of real estate held for future development and other non-operating property. Real estate is recorded at the lower of cost or market value at the time of classification, while non-operating retail property is recorded at net book value.

Right-of-Use Asset and Operating Lease Liabilities

Sanford leases various facilities and equipment under noncancelable operating leases expiring at various dates through February 2042 and records the corresponding right-of-use asset and operating lease liabilities on the consolidated balance sheets. Right-of-use asset is calculated as the lease liability plus any prepaid lease payments and initial direct costs, less any lease incentives. Renewal options to extend the lease term that are reasonably certain to be exercised are included in the measurement of leases. Operating lease liabilities are calculated as the present value of the remaining lease payments and reported within current portion of other liabilities and operating leases on the consolidated balance sheets. The majority of leases do not provide an implicit rate; therefore, Sanford has elected to use a rate that approximates its incremental borrowing rate, which is the interest rate Sanford would borrow on a collateralized basis over a similar term, as the discount rate. Sanford excludes operating leases with terms of 12 months or less and includes any fixed non-lease components in lease measurement.

Goodwill and Intangible Assets

Goodwill represents any excess of acquisition price over fair value of net assets acquired and is not amortized. The balance was \$68,092 as of both December 31, 2022 and 2021. The annual impairment test was performed resulting in no impairment charges for the years ended December 31, 2022 and 2021.

Sanford

Notes to Consolidated Financial Statements (continued) (Dollar Amounts in Thousands)

2. Summary of Significant Accounting Policies (continued)

Intangible assets are amortized over the terms of the agreements. The balance, net of accumulated amortization, was \$14,365 and \$16,672 as of December 31, 2022 and 2021, respectively.

Notes Receivable

As part of the recruitment and retention process, notes with forgiveness provisions may be issued to certain providers, employees and students. Notes are repayable over periods varying from one to ten years and are issued at current interest rates. As of December 31, 2022 and 2021, notes receivable from providers and employees totaled \$64,136 and \$47,193, respectively, with balances due or to be forgiven within one year reported within other current assets and non-current balances outstanding reflected as notes receivable.

Medical Claims Payable

Sanford's health plan companies are at risk for certain medical costs of their members, up to reinsurance limits. Reserves for medical claims are recorded in medical claims payable in the consolidated balance sheets and include amounts based on management's estimate for claims, which are expected to be paid after the consolidated balance sheet date, for services provided to members during the policy period. The estimate of costs incurred for obligations to provide services are based on both claims reported to Sanford's health plan companies, along with actuarial estimates of incurred but not yet reported medical services.

The portion of the liability for unpaid medical claims that are derived from actuarial estimates are developed from historical data, cost trends, member and product mix, seasonality, utilization of healthcare services, contracted rates, and other relevant data. The estimates may change as actuarial methods change or as underlying facts upon which estimates are based change. While variability is inherent in these estimates, management believes the reserve for unpaid medical claims is adequate. The estimates are continually reviewed and adjusted as necessary. Any adjustments are included in current operations.

Sanford

Notes to Consolidated Financial Statements (continued) (Dollar Amounts in Thousands)

2. Summary of Significant Accounting Policies (continued)

Deferred Compensation

Sanford offers management and providers the ability to participate in nonqualified plans created in accordance with applicable provisions of the Internal Revenue Code. The plans permit deferral of salary, and the accumulated deferred compensation balance is not available to employees until a distributable event, as defined within the plan documents. All amounts of compensation deferred under the plans, and all income attributable to those amounts, are solely the property of Sanford until paid or made available to the employee or other beneficiary. The related assets are reported within assets whose use is limited at their fair market value, and the related liabilities are reported as noncurrent liabilities.

Residential Housing Deposits

Housing deposits received from senior care residents in advance for admittance into residential units are typically refundable back to the resident upon their departure from residing in the unit. In certain limited instances, the deposit received in advance for admittance is nonrefundable based upon time restrictions and vacancy of the unit. The nonrefundable portion of the deposits are amortized into other operating revenue over the life expectancy of the occupant and fully recognized when the occupant vacates the unit. The current portion of the deposits are reported as current portion of other liabilities on the consolidated balance sheets.

Net Assets

Net assets not subject to donor-imposed stipulations are reflected as net assets without donor restrictions. Net assets with donor restrictions are those whose use has been limited by donors to a specific purpose, period of time, or that must be maintained in perpetuity. Gifts with restrictions, and their subsequent investment return, are recorded as direct additions to net assets with donor restrictions.

When a restriction is met, or a donor-imposed restriction changes, net assets are reclassified and reported as net assets released from restrictions within other operating revenue, non-operating (expense) income, or releases for acquisitions of property and equipment. Donor restricted gifts which restrictions are met within the same year as received are reported as contributions without donor restrictions.

Sanford

Notes to Consolidated Financial Statements (continued)

(Dollar Amounts in Thousands)

2. Summary of Significant Accounting Policies (continued)

Gifts received in advance of meeting the condition associated with the gift are recorded as deferred revenue. Amounts to which the condition will be met within one year are reported as within current portion of other liabilities and amounts to which the condition will be met after one year are reported as other non-current liabilities on the consolidated balance sheets. Once the condition for the gift is met, donation revenue is recorded within other operating revenue.

Non-controlling Interest

Sanford has control, but less than 100% ownership in certain entities and, accordingly, has consolidated them into the financial statements for the years ended December 31, 2022 and 2021. The net assets attributed to the non-controlling interests are reported as net assets without donor restrictions – non-controlling interest.

Operating and Non-operating Activities

Sanford's primary objective of operations is to meet the healthcare needs of patients, residents, and communities. All activities directly associated with this objective are considered operating activities. Non-operating activities primarily include investment return and other expenses which largely consists of contributions expense and income taxes.

Charity Care and Community Benefits

Sanford provides care to patients and residents without charge or at amounts less than its established rates regardless of their ability to pay. These patients and residents meet criteria as defined by Sanford's charity care policies. Sanford does not pursue collection of amounts determined to qualify as charity care. Accordingly, these amounts are not reported as patient revenue or resident revenue. The total cost of charity care (estimated by applying an overall cost to charge ratio to the charges incurred) was \$93,117 and \$91,995 for the years ended December 31, 2022 and 2021, respectively.

Sanford also provides a variety of services and benefits designed to improve the health in the communities it serves. These benefits include education and promotion of health activities, civic involvement, community funding, and medical research.

Sanford

Notes to Consolidated Financial Statements (continued) (Dollar Amounts in Thousands)

2. Summary of Significant Accounting Policies (continued)

Premium Revenue

Premium revenue represents gross premiums earned in the year for which fully insured members are covered. Premium revenue includes amounts paid by employer groups and individual members, as well as state and federal governments. Premiums are contractual and are recognized in the coverage period in which members are entitled to receive healthcare services. Premiums received in advance of a coverage period are recorded as other current liabilities.

Other Operating Revenue

Other operating revenue is primarily generated by pharmacies, reference labs, mobile diagnostic services, and various other operations and are recognized when services are performed, or products are delivered. Other operating revenue also includes contributions without donor restrictions, grant revenue, and COVID-19 related revenue.

Income Taxes

Certain wholly owned subsidiaries are subject to income taxes. Deferred income tax assets and liabilities are recognized for the differences between the financial and income tax reporting bases of assets and liabilities based on enacted tax rates and laws. A tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination.

The deferred income tax provision or benefit generally reflects the net change in deferred income tax assets and liabilities during the year. Deferred tax assets of \$817 and \$5,966 have been recorded in other assets as of December 31, 2022 and 2021, respectively.

The current income tax provision reflects the tax consequences of revenues and expenses currently taxable or deductible on various income tax returns for the year reported. Sanford paid an insignificant amount of federal and state income taxes for the years ended December 31, 2022 and 2021.

Sanford

Notes to Consolidated Financial Statements (continued) (Dollar Amounts in Thousands)

2. Summary of Significant Accounting Policies (continued)

Performance Indicators

The accompanying consolidated statements of operations includes income from operations as an operating measure of the net of revenues, gains, and expenses generated from healthcare related services that advance the objectives of Sanford. Income from operations excludes (expenses) income from other sources and (expenses) income that are not expected to recur on an annual ongoing basis. The exclusion of these items helps improve the comparability of Sanford's income from operations operating measure year-to-year, while also improving comparability across other similarly sized healthcare providers.

The accompanying consolidated statements of operations also includes (deficiency) excess of revenues over expenses attributable to controlling interest as a performance measure of all non-operating activity, discontinued operations activity and non-controlling interest changes, in addition to the income from operations operating measure. (Deficiency) excess of revenues over expenses attributable to controlling interest excludes pension plan-related changes and long-lived assets acquired using contributions.

Subsequent Events

Sanford has evaluated subsequent events through March 29, 2023, the date this report was issued, and no additional significant events have been identified other than matters disclosed in Notes 10 and 12.

3. Patient Revenue, Resident Revenue, and Accounts Receivable

Patient revenue and resident revenue are reported at estimated net realizable amounts from patients, residents, third-party payors, and others that Sanford expects to receive in exchange for providing patient and resident care. Sanford determines performance obligations based on the nature of the services provided. Revenue is recognized when those services are rendered and the patient, resident, or third-party payor is billed, usually in advance or within several days of service or discharge. For services provided over a period of time, such as inpatients receiving acute care services or residents receiving post-acute care services, revenue recognition begins when the patient or resident is admitted and concludes at the time of discharge. Remaining performance obligations relating to inpatient acute care services or resident post-acute care services as of December 31, 2022, will be satisfied in full in 2023.

Sanford

Notes to Consolidated Financial Statements (continued) (Dollar Amounts in Thousands)

3. Patient Revenue, Resident Revenue, and Accounts Receivable (continued)

The initial estimate of patient and resident revenue is determined by reducing the gross charge by explicit price concessions (contractual adjustments) arising from various reimbursement arrangements with third-party payors and implicit price concessions provided to self-pay patients or residents for their respective responsibility. Sanford has elected to account for third-party payor, patient, and resident contracts as collective groups rather than individual contracts. The financial statement effects of using this practical expedient are not materially different from an individual contract approach.

Sanford grants credit without collateral to its patients and residents, most of whom carry insurance for the health services they are receiving. Sanford participates in Medicare, Medicaid, Blue Cross and other third-party payor programs. Contractual adjustments are accrued on an estimated basis in the period in which the services are rendered based on the respective contractual agreements and historical experience. Certain reimbursement arrangements are subject to retroactive audit and, as a result, there is a reasonable possibility that recorded estimates could change upon audit. Differences between amounts estimated and final settlements are included in operations in the year in which the differences become known.

Generally, patients and residents who are covered by insurance are responsible for related deductibles and coinsurance, which Sanford estimates the corresponding ability to collect based on historical experience, current market conditions, and information gathered based on the patient or resident's ability to pay. Subsequent changes as a result of adverse changes in the patient or resident's ability to pay are recorded as adjustments to patient service revenue or resident revenue in the period of the change. Such changes for the years ended December 31, 2022 and 2021 were not material.

Sanford

Notes to Consolidated Financial Statements (continued) (Dollar Amounts in Thousands)

3. Patient Revenue, Resident Revenue, and Accounts Receivable (continued)

The percentage of patient revenue, resident revenue and accounts receivable as of and for the years ended December 31 was as follows:

	Patient		Resident	
	2022	2021	2022	2021
Revenue:				
Medicare	31.9%	32.3%	14.4%	15.2%
Medicaid	12.2	11.9	45.4	46.0
Blue Cross	26.8	27.2	0.0	0.0
Other third-party payors	27.3	26.6	9.2	9.3
Self-pay and other	1.8	2.0	31.0	29.5
	100.0%	100.0%	100.0%	100.0%
Accounts receivable:				
Medicare	24.9%	22.1%	16.1%	19.3%
Medicaid	10.8	9.7	38.7	39.5
Blue Cross	20.2	22.6	0.0	–
Other third-party payors	30.9	31.6	19.1	19.8
Self-pay and other	13.2	14.0	26.1	21.4
	100.0%	100.0%	100.0%	100.0%

Sanford

Notes to Consolidated Financial Statements (continued) (Dollar Amounts in Thousands)

4. Fair Value Measurements

Assets and liabilities recorded at fair value in the financial statements are categorized, for disclosure purposes, based upon whether the inputs used to determine their fair values are observable or unobservable. A three-level value hierarchy is used for disclosure of fair value measurements that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The three levels of the fair value hierarchy under the Accounting Standards Codification 820, *Fair Value Measurement*, are described as follows:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Sanford has the ability to access.
- Level 2 – Inputs to the valuation methodology include directly or indirectly observable inputs other than Level 1 inputs, such as quoted prices for similar instruments in active or inactive markets, quoted prices for identical instruments in inactive markets, or inputs that are observable or can be corroborated by observable market data. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 – Inputs to the valuation methodology are unobservable and are related to the instruments that are supported by little or no market activity using pricing models, discounted cash flow methodologies, or similar valuation techniques.

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. Sanford's policy for recording transfers is at the end of the period for which the transfer happened. There were no transfers between levels during the years ended December 31, 2022 and 2021.

Sanford

Notes to Consolidated Financial Statements (continued) *(Dollar Amounts in Thousands)*

4. Fair Value Measurements (continued)

The following is a description of the valuation methodologies used for assets measured at fair value.

Financial assets include short-term investments and debt service funds in other current assets, investments, and assets whose use is limited and are recorded at their estimated fair value. Fair values of debt and equity securities are based on quoted market prices, where available. Information is obtained from custodians of the financial instruments and their third-party pricing services to establish fair value, which generally uses quoted or other observable inputs for the determination of fair value. The information is reviewed, and for many instruments whose pricing inputs are readily observable in the market, the valuation methodology is accepted by market participants and involves little to no judgment. For instruments whose pricing inputs are less observable in the marketplace, inputs can be subjective in nature and involve uncertainties. Management uses this information to distribute the instruments among the three-level hierarchy.

Changes in the reported market values and returns are compared to relevant market indices to test the reasonableness of the reported fair values of the underlying debt and equity securities. This internal review of fair value methodology has not historically resulted in adjustment in the process obtained from the custodians.

Fair values of debt securities that do not trade on a regular basis in active markets but are priced using other observable inputs are classified as Level 2.

Fair value estimates for Level 1 and Level 2 equity securities are based on quoted market prices for actively traded equity securities or other market data for the same or comparable instruments and transactions in establishing the prices. Generally, Level 2 fixed income securities are valued based on quoted prices for similar instruments, including the assets held in the defined benefit plans as referenced in Note 10. There were no financial assets recorded at fair value classified as Level 3 as of December 31, 2022 and 2021.

Sanford

Notes to Consolidated Financial Statements (continued) (Dollar Amounts in Thousands)

4. Fair Value Measurements (continued)

Financial assets measured at fair value are summarized in the following tables:

	Level 1	Level 2	Total
December 31, 2022			
Assets:			
Money market funds	\$ 344,588	\$ –	\$ 344,588
Equity mutual and exchange traded funds	191,864	–	191,864
Common stocks	594	–	594
Participant-directed deferred compensation assets	164,012	–	164,012
Fixed income mutual and exchange traded funds	579,354	–	579,354
U.S. government securities	49,120	–	49,120
Government sponsored enterprise securities	–	17,816	17,816
Government sponsored enterprise mortgage backed securities	–	13,539	13,539
Corporate debt securities	–	605,831	605,831
Municipal bonds	–	274,870	274,870
Other	–	14,513	14,513
Total assets valued at fair value	\$ 1,329,532	\$ 926,569	2,256,101
Investments recorded at fair value based on net asset value			115,351
			\$ 2,371,452
Assets reported as:			
Short-term investments			\$ 296,071
Debt service funds in other current assets			206
Investments			1,827,905
Assets whose use is limited:			
Regulatory and reserve funds			83,258
Deferred compensation funds			164,012
			2,371,452
			\$ 2,371,452

Sanford

Notes to Consolidated Financial Statements (continued) (Dollar Amounts in Thousands)

4. Fair Value Measurements (continued)

	Level 1	Level 2	Total
December 31, 2021			
Assets:			
Money market funds	\$ 400,813	\$ –	\$ 400,813
Equity mutual and exchange traded funds	203,215	–	203,215
Common stocks	7,214	–	7,214
Participant-directed deferred compensation assets	191,154	–	191,154
Fixed income mutual and exchange traded funds	676,491	–	676,491
U.S. government securities	28,401	–	28,401
Government sponsored enterprise securities	–	21,683	21,683
Government sponsored enterprise mortgage backed securities	–	17,192	17,192
Corporate debt securities	–	765,260	765,260
Municipal bonds	–	350,198	350,198
Other	–	14,969	14,969
Total assets valued at fair value	\$ 1,507,288	\$ 1,169,302	2,676,590
Investments recorded at fair value based on net asset value			113,251
			\$ 2,789,841
Assets reported as:			
Short-term investments			\$ 323,914
Debt service funds in other current assets			221
Investments			2,156,085
Assets whose use is limited:			
Regulatory and reserve funds			118,467
Deferred compensation funds			191,154
			\$ 2,789,841

Sanford

Notes to Consolidated Financial Statements (continued) (Dollar Amounts in Thousands)

4. Fair Value Measurements (continued)

A portion of Sanford's investment portfolio is in alternative investments, which generally consist of limited partnerships that invest in domestic and global equities or real estate that are not readily marketable and, as a result, are valued at net asset value (NAV). Unless it is probable that all or a portion of the investment will be sold for an amount other than NAV, Sanford has concluded that the NAV approximates fair value. The values of the securities held by the limited partnerships that do not have readily determinable values are based on historical cost, appraisals, operating performance or other valuation estimates that require varying degrees of judgment and qualitative observations. There is inherent uncertainty in such valuations, and the estimated fair values may differ from the values that would have been used had a ready market for the securities existed. Generally, the investment balance of Sanford's holdings in alternative investments reflects net contributions to the partnerships and Sanford's share of realized and unrealized investment income and expenses.

Domestic and global equities include investments in certain domestic and global healthcare technologies and companies. Real estate investments include a diversified portfolio primarily focused on opportunities in the acquisition, development, redevelopment, operation, and management of real estate properties. Private debt securities include investments in fixed income instruments comprised of broadly syndicated bank loans.

Alternative investments consisted of the following:

	NAV		Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
	December 31 2022	2021			
Domestic and global equities	\$ 77,865	\$ 70,866	\$ 6,813	Limited	N/A
Real estate private equities	18,881	22,994	–	Limited	N/A
Real estate private equities	10,589	9,700	–	Quarterly	2 days
Private debt securities	8,016	9,691	–	Quarterly	30 days
	<u>\$ 115,351</u>	<u>\$ 113,251</u>	<u>\$ 6,813</u>		

Sanford

Notes to Consolidated Financial Statements (continued) (Dollar Amounts in Thousands)

5. Liquidity and Availability

As part of Sanford's cash management, cash and investments feature a high degree of safety and liquidity to support general expenditures and debt service payable within one year in the normal course of operations. Financial assets available within one year as of December 31 consisted of the following:

	<u>2022</u>	<u>2021</u>
Cash	\$ 217,637	\$ 272,385
Short-term investments	296,071	323,914
Accounts receivable	868,796	724,239
Debt service funds in other current assets	205	221
Notes and contributions receivable in other current assets	23,984	20,741
Investments, less alternative investments	1,712,554	2,042,834
	<u>\$ 3,119,247</u>	<u>\$ 3,384,334</u>

Financial assets, such as assets whose use is limited and non-current notes and contributions receivable, are not available for general expenditure and debt service payable within the next year and are not reflected in the amounts above.

As discussed in Note 12, in February 2023, Sanford entered into a line of credit agreement totaling \$200,000.

Sanford

Notes to Consolidated Financial Statements (continued) (Dollar Amounts in Thousands)

6. Investment Return

The following schedule summarizes investment return and its classification in the consolidated statements of operations and changes in net assets:

	Year Ended December 31	
	2022	2021
Without donor restrictions – other operating revenue:		
Dividend and interest income	\$ 32,926	\$ 31,945
Without donor restrictions – non-operating (expense) income:		
Dividend and interest income	54,934	28,270
Net realized (loss) gain on sales of investments	(2,157)	1,494
Unrealized loss	(349,492)	(18,293)
	(296,715)	11,471
With donor restrictions:		
Dividend and interest income	3,670	3,782
Net realized gain on sales of investments	374	3,906
Unrealized (loss) gain	(34,216)	14,902
	(30,172)	22,590
	\$ (293,961)	\$ 66,006

7. Property and Equipment

Property and equipment consisted of the following:

	December 31	
	2022	2021
Land and land improvements	\$ 558,367	\$ 523,473
Buildings	3,253,955	3,335,246
Building equipment	511,455	474,087
Movable equipment	1,450,504	1,462,690
Construction in process	113,351	108,084
	5,887,632	5,903,580
Accumulated depreciation	(3,073,148)	(3,015,801)
	\$ 2,814,484	\$ 2,887,779

Sanford

Notes to Consolidated Financial Statements (continued) (Dollar Amounts in Thousands)

8. Investment in Joint Ventures

Sanford records investments in joint ventures using the equity method. Earnings and losses are included within other operating revenue. As of December 31, 2022 and 2021, investments in joint ventures consisted of organizations in which Sanford's ownership interest ranges from 10% to 50%. The collective financial position of the joint ventures is as follows:

	December 31	
	2022	2021
Total assets	\$ 141,972	\$ 141,314
Total operating revenues	113,458	93,637
Income from operations	8,382	7,797

Sanford's share of net gains, new equity contributions, and distributions received from joint ventures are summarized as follows:

	Year Ended December 31	
	2022	2021
Net gains on investments in joint ventures	\$ 2,434	\$ 2,256
New equity contributions into joint ventures	3,530	3,352
Distributions received from joint ventures	1,886	1,674

9. Operating Leases

Future payments due under operating leases are as follows:

Years ending December 31:		
2023	\$	22,806
2024		16,824
2025		14,040
2026		11,493
2027		9,266
Thereafter		29,715
		104,144
Less present value discount		(14,739)
	\$	89,405

Sanford

Notes to Consolidated Financial Statements (continued) (Dollar Amounts in Thousands)

9. Operating Leases (continued)

Operating lease liabilities are calculated as the present value of the remaining lease payments. The weighted average discount rate for operating leases was 4.5% and 4.7% for the years ended December 31, 2022 and 2021, respectively. The weighted average remaining lease term for operating leases was 7.2 years for the year ended December 31, 2022. Lease expense associated with operating leases was \$29,092 and \$28,705 for the years ended December 31, 2022 and 2021, respectively.

10. Pension Plans

Defined Contribution Retirement Plans

Sanford has defined contribution retirement plans that are available to all eligible employees who do not participate in a defined benefit pension plan. Employer contributions are based on a percentage of annual compensation and employee contribution levels. Employee and employer contributions are deposited with the plan trustee who invests the plan assets. Defined contribution retirement costs of \$117,418 and \$112,066 were recognized as part of salaries and benefits for the years ended December 31, 2022 and 2021, respectively.

Defined Benefit Pension Plans

Sanford had two defined benefit pension plans that provided benefits based on years of service and compensation (the Master Plan and the Bismarck Plan, collectively referred to as the plans). In December 2022, Sanford's Board of Trustees passed a resolution to freeze and terminate the plans in 2023. The resolution to freeze plan benefits triggered pension curtailment accounting and resulted in a net curtailment gain. On December 31, 2022, the Bismarck Plan merged, and the corresponding participants moved into, the Master Plan. The Master Plan is closed to new participants; however, the Master Plan has active employees accruing benefits.

Subsequently, in February 2023, Sanford amended the Master Plan to freeze and terminate the plan effective March 31, 2023.

Sanford

Notes to Consolidated Financial Statements (continued) (Dollar Amounts in Thousands)

10. Pension Plans (continued)

Obligation and Funded Status

Defined benefit pension obligations and funded status are measured as of, and changes for the years then ended, are as follows:

	Master Plan		Bismarck Plan	
	2022	2021	2022	2021
Change in benefit obligation:				
Benefit obligation, beginning of year	\$ 226,915	\$ 242,408	\$ 145,781	\$ 151,841
Service cost	337	472	1,250	1,488
Interest cost	6,408	5,923	4,163	3,826
Actuarial gain	(49,869)	(9,952)	(33,366)	(4,861)
Benefits paid	(12,364)	(11,936)	(6,790)	(6,513)
Merger in to Master Plan	111,038	-	(111,038)	-
Curtailments	(4,356)	-	-	-
Benefit obligation, end of year	\$ 278,109	\$ 226,915	\$ -	\$ 145,781
Change in plan assets:				
Fair value of plan assets, beginning of year	\$ 216,271	\$ 202,845	\$ 133,135	\$ 124,862
(Loss) gain on plan assets	(30,974)	16,122	(22,978)	11,186
Employer contributions	4,840	9,240	2,100	3,600
Benefits paid	(12,364)	(11,936)	(6,790)	(6,513)
Merger in to Master Plan	105,467	-	(105,467)	-
Fair value of plan assets, end of year	\$ 283,240	\$ 216,271	\$ -	\$ 133,135
Funded status:				
Benefit obligation (less than) in excess of plan assets	\$ (5,131)	\$ 10,644	\$ -	\$ 12,646
Amounts recognized in net assets without donor restrictions consisting of net actuarial loss	\$ 47,046	\$ 52,202	\$ -	\$ 13,666
Accumulated benefit obligation	\$ 277,880	\$ 225,834	\$ -	\$ 139,884
Weighted average of assumptions used to determine end of year obligations:				
Discount rate	5.50%	2.90%	n/a	2.90%
Rate of compensation increase	3.00	3.00	n/a	3.00

Sanford

Notes to Consolidated Financial Statements (continued) (Dollar Amounts in Thousands)

10. Pension Plans (continued)

Components of Net Periodic Pension Benefit

	Master Plan		Bismarck Plan	
	2022	2021	2022	2021
Service cost	\$ 337	\$ 472	\$ 1,250	\$ 1,488
Interest cost	6,408	5,923	4,163	3,826
Expected return on plan assets	(10,179)	(11,512)	(6,574)	(7,404)
Amortization of actuarial loss	1,935	2,622	–	908
Net periodic pension benefit	\$ (1,499)	\$ (2,495)	\$ (1,161)	\$ (1,182)
Weighted average of assumptions used to determine net periodic pension benefit:				
Discount rate	2.90%	2.50%	2.90%	2.55%
Plan assets expected long-term rate of return	5.00	6.00	5.00	6.00
Rate of compensation increase	3.00	3.00	3.00	3.00

Service cost is included in salaries and benefits expense and all other components of the net periodic pension benefit are included in other expenses within non-operating (expense) income.

The funded status, or comparison of plan assets and plan liabilities, of the pension plans significantly improved during 2022, resulting in a change in classification from a liability of \$23,290 reported as an other liability at December 31, 2021, to a pension asset of \$5,131 reported as other assets on the consolidated balance sheet at December 31, 2022, driven largely by the increase in discount rate as a result of the rising interest rate environment throughout 2022.

Plan Assets

The pension plan weighted average asset allocations, by asset category, was as follows:

	Master Plan		Bismarck Plan	
	December 31		December 31	
	2022	2021	2022	2021
Equity investments	10%	31%	n/a	39%
Debt investments	89	67	n/a	60
Cash equivalents	1	2	n/a	1
	100%	100%	n/a	100%

Sanford

Notes to Consolidated Financial Statements (continued) (Dollar Amounts in Thousands)

10. Pension Plans (continued)

Sanford's policy is to maintain a balanced mix between debt and equity investments in order to maximize its long-term rate of return, while producing cash flows required for benefit payments; however, with the anticipated plan termination, Sanford adjusted the investment allocation between fixed income and equity investments to preserve the plan's funded status and mitigate risk exposure until final settlement of the plan. The expected long-term rate of return for the plan is based on historical experience and the go forward investment allocation. Management believes this will be an appropriate rate of return going forward.

Financial assets of the qualified plans were measured at fair value on a recurring basis as of December 31 and are summarized in the following tables by type of inputs (see Note 4) applicable to the fair value measurements:

	Level 1	Level 2	Total
December 31, 2022			
Master Plan:			
Money market funds	\$ 2,088	\$ —	\$ 2,088
Equity mutual and exchange traded funds	28,059	—	28,059
Fixed income mutual and exchange traded funds	166,318	—	166,318
U.S. government securities	13,337	—	13,337
Government sponsored enterprise securities	—	7,259	7,259
Government sponsored enterprise mortgage backed securities	—	2,358	2,358
Corporate debt securities	—	33,188	33,188
Municipal bonds	—	28,882	28,882
Other	—	1,752	1,750
	\$ 209,802	\$ 73,439	\$ 283,240

Sanford

Notes to Consolidated Financial Statements (continued) (Dollar Amounts in Thousands)

10. Pension Plans (continued)

	Level 1	Level 2	Total
December 31, 2021			
Master Plan:			
Money market funds	\$ 3,050	\$ –	\$ 3,050
Equity mutual and exchange traded funds	67,985	–	67,985
Fixed income mutual and exchange traded funds	48,689	–	48,689
U.S. government securities	8,209	–	8,209
Government sponsored enterprise securities	–	7,126	7,126
Government sponsored enterprise mortgage backed securities	–	3,140	3,140
Corporate debt securities	–	45,125	45,125
Municipal bonds	–	31,321	31,321
Other	–	1,626	1,626
	\$ 127,933	\$ 88,338	\$ 216,271
Bismarck Plan:			
Money market funds	\$ 558	\$ –	\$ 558
Equity mutual and exchange traded funds	51,780	–	51,780
Fixed income mutual and exchange traded funds	80,797	–	80,797
	\$ 133,135	\$ –	\$ 133,135

As a result of the curtailment, Sanford does not expect to recognize amortization of net actuarial loss for the year ending December 31, 2023.

Sanford

Notes to Consolidated Financial Statements (continued) (Dollar Amounts in Thousands)

10. Pension Plans (continued)

Benefit Payments

The following benefits are expected to be paid:

	Master Plan
Years ending December 31:	
2023	\$ 20,230
2024	20,932
2025	21,475
2026	21,739
2027	21,925
2028–2032	108,254

Sanford does not expect to make contributions into the defined benefit plan for the year ending December 31, 2023.

11. Residential Housing Deposits

Residential housing deposits consisted of the following:

	December 31	
	2022	2021
Refundable portion	\$ 121,035	\$ 124,556
Nonrefundable portion	16,268	17,440
Total residential housing deposits	137,303	141,996
Less current portion	(19,570)	(17,970)
	\$ 117,733	\$ 124,026

Sanford

Notes to Consolidated Financial Statements (continued) (Dollar Amounts in Thousands)

12. Long-Term Debt

Sanford and certain of its wholly owned entities entered into a first amended and restated Master Trust Indenture (MTI), dated November 1, 2019. Members of the Obligated Group are jointly and severally obligated for the debt issued and guaranteed under the MTI.

Long-term debt consisted of the following:

	Interest Structure	Interest Rates	Final Maturity	December 31 2022	December 31 2021
Bonds payable:					
Series 1997	Variable	0.78% to 4.96%	November 2027	\$ 1,745	\$ 2,375
Series 2000	Variable	0.38% to 4.56%	November 2025	945	1,230
Series 2004B	Variable	1.18% to 5.36%	November 2034	12,510	12,925
Series 2010	Fixed	3.38%	December 2025	997	1,330
Series 2012A	Fixed	1.83%	September 2024	7,190	12,200
Series 2012B	Fixed	2.39%	September 2031	23,955	25,700
Series 2012C	Fixed	1.38%	September 2024	390	705
Series 2012D	Fixed	1.97%	September 2032	25,780	27,970
Series 2014A	Fixed	4.00%	November 2034	52,000	52,000
Series 2014B	Fixed	4.00% to 5.00%	November 2044	161,215	165,205
Series 2015	Fixed	4.00% to 5.00%	November 2045	151,055	155,410
Series 2016	Fixed	1.92%	November 2026	20,000	25,000
Series 2019A	Fixed	4.00% to 5.00%	November 2049	321,030	333,650
Series 2019B	Fixed	2.24% to 3.85%	November 2049	359,265	367,895
Series 2021	Fixed	0.59% to 3.17%	November 2052	246,555	249,845
Total bonds payable				<u>1,384,632</u>	<u>1,433,440</u>
Notes payable:					
Bank notes	Fixed	1.52% to 2.50%	April 2032	71,840	81,456
Other	Fixed	0.00% to 2.85%	June 2031	9,500	11,752
Total notes payable				<u>81,340</u>	<u>93,208</u>
Finance lease obligation	Fixed	8.00%	June 2023	703	1,965
Net unamortized bond premiums and deferred financing costs				<u>67,012</u>	<u>73,242</u>
Total debt				<u>1,533,687</u>	<u>1,601,855</u>
Less current maturities				<u>(68,200)</u>	<u>(67,783)</u>
Total long-term portion of debt				<u>\$ 1,465,487</u>	<u>\$ 1,534,072</u>

Sanford

Notes to Consolidated Financial Statements (continued) (Dollar Amounts in Thousands)

12. Long-Term Debt (continued)

Subsequently, in February 2023, Sanford entered into a line of credit agreement with U.S. Bank National Association under which it may advance up to \$200,000. The line of credit, subject to a variable interest rate, will expire on February 1, 2024 and is an obligation of the Obligated Group secured by a note issued under the first amended and restated Master Trust Indenture.

Relating to Series 1997 and 2000, the Obligated Group provides internal liquidity support in the event respective bonds are tendered for repurchase and not remarketed and, as such, the outstanding principal has been classified as a current maturity of long-term debt.

All note obligations related to bond issues are secured by security interests in gross receipts, excluding grants, bequests, and donations which are designated as to purpose.

Payment of the principal of the Series 2004B Note Obligations plus up to 60 days' interest are secured by an irrevocable direct payment letter of credit, issued by U.S. Bank National Association, at the request of the Obligated Group. Draws on the letter of credit are due 367 days after the draw. The letter of credit expires November 1, 2024.

Debt agreements contain various restrictive covenants related to coverage of annual debt service and financial position, as defined in the agreements. Sanford was in compliance with the financial covenants as of December 31, 2022 and 2021.

Scheduled principal payments of long-term debt as of December 31, 2022 are as follows:

	Bonds Payable	Notes Payable	Finance Lease Obligations	Total
Years ending December 31:				
2023	\$ 47,504	\$ 12,417	\$ 727	\$ 60,648
2024	47,981	13,004	—	60,985
2025	50,017	15,583	—	65,600
2026	51,220	12,178	—	63,398
2027	48,870	12,883	—	61,753
Thereafter	1,139,040	15,275	—	1,154,315
Less interest	—	—	(24)	(24)
	<u>\$ 1,384,632</u>	<u>\$ 81,340</u>	<u>\$ 703</u>	<u>\$ 1,466,675</u>

Sanford

Notes to Consolidated Financial Statements (continued) (Dollar Amounts in Thousands)

13. Commitments and Contingencies

Professional Liability

Sanford carries professional and general liability insurance through a combination of self-insured retention and commercial insurance carriers. Amounts accrued as current portion of other liabilities and other noncurrent liabilities on the consolidated balance sheets. The current claims made policy provides for a self-insured retention for both professional and general liability with up to an \$18,000 annual aggregate as of December 31, 2022.

Excess coverage of \$80,000 for hospital and clinics and \$115,000 for senior care is provided by various carriers and layers. The excess coverage provides a dedicated excess limit of coverage for professional and general liability claims from other liability coverage, such as workers' compensation, aviation, auto, and ambulance liability, all of which are covered by the excess insurance program.

Workers' Compensation

Sanford has limited its losses to a maximum of \$1,000 of any one workers' compensation occurrence. Amounts accrued as current portion of other liabilities and other noncurrent liabilities and charged to expense include plan expenses and estimated losses of claims incurred that will be paid based on prior claims experience. North Dakota sites are insured through the state operated North Dakota Workforce Safety and Insurance program.

Group Health Insurance Benefit

For eligible employees who elect to participate, Sanford provides a self-funded insurance program for health benefits. Sanford accrues expense equal to its portion of estimated plan liabilities and has limited its losses on individual claims to \$1,000 per member per year through a stop-loss reinsurance agreement.

Other Commitments and Contingencies

Under the laws of the states of South Dakota, Nebraska, and Minnesota, Sanford is required to maintain a minimum net worth based on the Company Action Level of Risk-Based Capital for the fully insured business lines. Sanford has met the minimum net worth requirements.

Sanford

Notes to Consolidated Financial Statements (continued) (Dollar Amounts in Thousands)

13. Commitments and Contingencies (continued)

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Management believes that Sanford is in substantial compliance with current laws and regulations.

14. Net Assets With Donor Restrictions

Net assets with donor restrictions include net assets subject to the passage of time, expenditures for specific purposes, and net assets to be held in perpetuity, which consisted of the following:

	2022	2021
Net assets subject to expenditures for specific purposes:		
Women's health	\$ 59,812	\$ 63,305
Senior care	13,393	15,563
Children's fitness	8,292	9,143
Affordable housing projects – held for sale	–	352
Programs, services and equipment	88,633	121,240
	170,130	209,603
Net assets to be held in perpetuity:		
Endowments, income restricted by donors	113,328	111,926
Endowments, income not restricted by donors	5,821	5,487
	119,149	117,413
Net assets with donor restrictions	\$ 289,279	\$ 327,016

Changes in net assets with donor restrictions that are to be held in perpetuity were as follows:

	Year Ended December 31	
	2022	2021
Beginning of year	\$ 117,413	\$ 113,170
Contributions	3,128	3,644
Investment (loss) return and other	(1,392)	599
End of year	\$ 119,149	\$ 117,413

Sanford

Notes to Consolidated Financial Statements (continued) (Dollar Amounts in Thousands)

14. Net Assets With Donor Restrictions (continued)

Available endowment earnings are appropriated in accordance with donor restrictions. There were no deficiencies reported in net assets with donor restrictions as of December 31, 2022.

Net assets are released from restrictions by incurring expenses or acquiring property and equipment that meet the requirements of donor restrictions. Net assets released from restrictions for the various purposes were as follows:

	Year Ended December 31	
	2022	2021
Operating expenses	\$ 16,788	\$ 15,882
Property and equipment	2,750	3,561
	\$ 19,538	\$ 19,443

15. Functional Expenses

Sanford provides healthcare, senior care, and healthcare financing services to meet the needs of individuals. The consolidated statements of operations report expenses based on natural classification that are attributable to more than one program or support function. In order to present expenses on a functional basis, each department's purpose is evaluated and analyzed, and expenses are attributed to the respective function accordingly.

The costs of providing program and other activities on a functional basis were as follows:

	Healthcare	Senior Care	Health Plan	Research and Other	General	Total
Year ended December 31, 2022						
Salaries and benefits	\$ 2,661,825	\$ 533,832	\$ 29,249	\$ 50,454	\$ 263,738	\$ 3,539,098
Supplies	1,165,768	79,949	222	14,668	15,000	1,275,607
Purchased services and other	742,960	222,247	64,006	20,722	168,804	1,218,739
Medical claims	-	-	556,210	-	-	556,210
Depreciation and amortization	145,365	83,230	545	6,372	24,001	259,513
Interest	25,752	21,068	(5)	279	1,223	48,317
Total	\$ 4,741,670	\$ 940,326	\$ 650,227	\$ 92,495	\$ 472,766	\$ 6,897,484

Sanford

Notes to Consolidated Financial Statements (continued) (Dollar Amounts in Thousands)

15. Functional Expenses (continued)

	Healthcare	Senior Care	Health Plan	Research and Other	General	Total
Year ended December 31, 2021						
Salaries and benefits	\$2,591,695	\$ 547,205	\$ 28,064	\$ 45,915	\$ 290,643	\$3,503,522
Supplies	1,102,682	74,901	276	14,595	12,037	1,204,491
Purchased services and other	592,094	191,398	51,887	25,622	158,140	1,019,141
Medical claims	-	-	741,606	-	-	741,606
Depreciation and amortization	143,228	72,936	222	6,898	27,261	250,545
Interest	28,595	21,968	-	-	1,252	51,815
Total	\$4,458,294	\$ 908,408	\$ 822,055	\$ 93,030	\$ 489,333	\$6,771,120

Healthcare, senior care, health plan, and research and other are program services.

16. COVID-19

In March 2020, the World Health Organization declared the outbreak of a novel strain of coronavirus (COVID-19) a global pandemic. In response, Congress passed the Coronavirus Aid, Relief, and Economic Security Act and the Paycheck Protection Program and Health Care Enhancement Act (collectively referred to as CARES Act), allocating funding to individuals or businesses affected by the pandemic and economic downturn. In March 2021, Congress passed the American Rescue Plan Act of 2021, providing additional relief for the continued impact of COVID-19 on public health, state and local governments, individuals, and businesses.

Certain portions of these acts were aimed directly at supporting healthcare organizations. The recognition of amounts received by healthcare organizations is conditioned upon the provision of care for individuals with actual or possible cases of COVID-19 and a certification that the funds will only be used to prevent, prepare for, and respond to the coronavirus.

For the years ended December 31, 2022 and 2021, Sanford recognized \$42,221 and \$125,611, respectively, of COVID-19 related revenue into other operating revenue. These funds were predominantly received or sourced from healthcare programs within the CARES Act and American Rescue Plan Act of 2021.

Sanford

Notes to Consolidated Financial Statements (continued) *(Dollar Amounts in Thousands)*

16. COVID-19 (continued)

The COVID-19 funding Sanford has received is not subject to repayment, provided Sanford is able to attest to and comply with the terms and conditions of the funds and subsequently comply with the reporting requirements required by the Department of Health and Human Services. Sanford has attested to the terms and conditions for all COVID-19 funding received and recognized as of December 31, 2022 and has complied with all reporting requirements.

17. Assets and Liabilities Held for Sale and Discontinued Operations

Sanford is engaged with a qualified buyer to divest its affordable housing line of business. The divestiture is anticipated to be completed by the end of 2023.

In December 2021, Sanford made the decision to divest its Profile by Sanford (Profile) weight management retail line of business, which was subsequently sold in January 2022.

Sanford

Notes to Consolidated Financial Statements (continued) (Dollar Amounts in Thousands)

17. Assets and Liabilities Held for Sale and Discontinued Operations (continued)

All assets and liabilities associated with affordable housing and Profile have been classified as held for sale, and loss from operations classified as discontinued operations within the consolidated statements of operations as of and for the years ended December 31, 2022 and 2021, which is further summarized below. All related footnotes have been updated to reflect assets and liabilities held for sale and loss from discontinued operations treatment.

	December 31	
	2022	2021
Assets held for sale:		
Cash	\$ 4,465	\$ 3,159
Other current assets and other assets	375	4,656
Assets whose use is limited	3,839	7,409
Property and equipment, net	46,813	69,693
Total assets held for sale	\$ 55,492	\$ 84,917
Liabilities held for sale:		
Current liabilities and noncurrent liabilities	\$ 976	\$ 16,568
Current and long-term debt	18,694	31,675
Total liabilities held for sale	\$ 19,670	\$ 48,243
Net assets:		
Without donor restrictions – controlling interest	\$ 23,517	\$ 14,218
Without donor restrictions – non-controlling interest	12,305	22,104
With donor restrictions	–	352
Total net assets	\$ 35,822	\$ 36,674
	Year Ended December 31	
	2022	2021
Loss from discontinued operations:		
Operating revenues	\$ 7,550	\$ 59,329
Operating expenses	(7,349)	(113,719)
Non-operating expense	(12,331)	(52,734)
Loss from discontinued operations	\$ (12,130)	\$ (107,124)

Sanford

Notes to Consolidated Financial Statements (continued) (Dollar Amounts in Thousands)

18. Information Used in Determining the U.S. Department of Education's Financial Responsibility Composite Score

The financial information below provides a reconciliation between certain values presented in the Sanford's consolidated financial statements and the values included in the Supplemental Financial Responsibility Schedule as of December 31, 2022:

Property, plant and equipment – pre-implementation (includes capital leases)	\$ 2,139,061
Property, plant and equipment – post-implementation without outstanding debt for original purchase	562,072
Construction in progress	113,351
Property, plant and equipment, net (includes construction in progress and capital leases)	<u>\$ 2,814,484</u>
Lease right-of-use asset, pre-implementation	\$ 61,291
Lease right-of-use asset, post-implementation	26,248
Lease right-of-use asset, net	<u>\$ 87,539</u>
Long-term debt – for long term purposes pre-implementation	\$ 1,217,634
Long-term debt – for long term purposes post-implementation	316,053
Long-term debt – for long term purposes	<u>\$ 1,533,687</u>
Pre-implementation right-of-use leases liabilities	\$ 62,555
Post-implementation right-of-use leases liabilities	26,850
Lease right-of-use asset liability	<u>\$ 89,405</u>

Supplemental Financial Responsibility Schedule

SANFORD
SUPPLEMENTAL FINANCIAL RESPONSIBILITY SCHEDULE
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2022
(In thousands)

Location in financial statements or related notes	Financial element	Amount
Primary Reserve Ratio: Expendable Net Assets		
Consolidated Balance Sheets - Net assets without donor restrictions - controlling interest		\$ 3,826,317
Consolidated Balance Sheets - Net assets without donor restrictions - non-controlling interest		<u>13,918</u>
	Net assets without donor restrictions	3,840,235
Note 14 to Consolidated Financial Statements - Net assets with donor restrictions (Net assets to be held in perpetuity)	Net assets with donor restrictions: restricted in perpetuity	119,149
Note 14 to Consolidated Financial Statements - Net assets with donor restrictions (Net assets subject to the passage of time and expenditures for specific purposes)	Net assets with donor restrictions: other for purpose or time	<u>170,130</u>
Consolidated Balance Sheets - Net assets with donor restrictions	Net assets with donor restrictions	289,279
Note 18 to Consolidated Financial Statements - Information used in determining the U.S. Department of Education's financial responsibility composite score	Property, plant, and equipment - pre-implementation (includes capital leases)	2,139,061
Note 18 to Consolidated Financial Statements - Information used in determining the U.S. Department of Education's financial responsibility composite score	Property, plant, and equipment - post-implementation without outstanding	562,072
Note 7 to Consolidated Financial Statements - Property and equipment	Construction in process	<u>113,351</u>
Consolidated Balance Sheets - Property and equipment - net	Property, plant, and equipment, net (includes construction in process and capital leases)	<u>2,814,484</u>
Note 18 to Consolidated Financial Statements - Information used in determining the U.S. Department of Education's financial responsibility composite score	Lease right-of-use asset pre-implementation	61,291
Note 18 to Consolidated Financial Statements - Information used in determining the U.S. Department of Education's financial responsibility composite score	Lease right-of-use asset post-implementation	<u>26,248</u>
Consolidated Balance Sheets - Right-of-use asset	Lease right-of-use asset, net	87,539
Note 2 to Consolidated Financial Statements - Summary of Significant Accounting Policies - Goodwill and Intangible Assets	Intangibles	14,365
Note 18 to Consolidated Financial Statements - Information used in determining the U.S. Department of Education's financial responsibility composite score	Long-term debt - for long-term purposes pre-implementation	1,217,634

(Continued)

SANFORD
SUPPLEMENTAL FINANCIAL RESPONSIBILITY SCHEDULE
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2022
(In thousands)

<u>Location in financial statements or related notes</u>	<u>Financial element</u>	<u>Amount</u>
Note 18 to Consolidated Financial Statements - Information used in determining the U.S. Department of Education's financial responsibility composite score	Long-term debt - for long-term purposes post-implementation	\$ 316,053
Note 12 to Consolidated Financial Statements - Long-term debt (Total debt)	Long-term debt - for long-term purposes	1,533,687
Note 18 to Consolidated Financial Statements - Information used in determining the U.S. Department of Education's financial responsibility composite score	Pre-implementation right-of-use lease liabilities	62,555
Note 18 to Consolidated Financial Statements - Information used in determining the U.S. Department of Education's financial responsibility composite score	Post-implementation right-of-use lease liabilities	<u>26,850</u>
Note 9 to Consolidated Financial Statements - Operating leases	Lease right-of-use asset liability	89,405
Primary Reserve Ratio: Total Expenses and Losses		
Consolidated Statements of Operations - Total operating expenses	Total expenses without donor restrictions - taken directly from statement of activities	6,897,484
Consolidated Statements of Operations - Other expenses	Other losses	<u>42,504</u>
Consolidated Statements of Operations - Total operating expenses and other expenses	Total expenses and losses without donor restrictions	<u>6,939,988</u>
Equity Ratio: Modified Net Assets		
Consolidated Balance Sheets - Net assets without donor restrictions - controlling interest		3,826,317
Consolidated Balance Sheets - Net assets without donor restrictions - non-controlling interest		<u>13,918</u>
Consolidated Balance Sheets - Net assets with donor restrictions	Net assets without donor restrictions	3,840,235
Note 18 to Consolidated Financial Statements - Information used in determining the U.S. Department of Education's financial responsibility composite score	Net assets with donor restrictions	289,279
Note 18 to Consolidated Financial Statements - Information used in determining the U.S. Department of Education's financial responsibility composite score	Lease right-of-use asset pre-implementation	61,291
Note 2 to Consolidated Financial Statements - Summary of Significant Accounting Policies - Goodwill and Intangible Assets	Pre-implementation right-of-use lease liabilities	62,555
	Intangibles	14,365

(Continued)

SANFORD
SUPPLEMENTAL FINANCIAL RESPONSIBILITY SCHEDULE
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2022
(In thousands)

Location in financial statements or related notes	Financial element	Amount
Equity Ratio: Modified Assets		
Consolidated Balance Sheets - Total assets	Total assets	\$ 7,058,683
Note 18 to Consolidated Financial Statements - Information used in determining the U.S. Department of Education's financial responsibility composite score	Lease right-of-use asset pre-implementation	61,291
Note 18 to Consolidated Financial Statements - Information used in determining the U.S. Department of Education's financial responsibility composite score	Lease right-of-use lease liability pre-implementation	62,555
Note 2 to Consolidated Financial Statements - Summary of Significant Accounting Policies - Goodwill and Intangible Assets	Intangibles	14,365
Net Income Ratio		
Consolidated Statements of Changes in Net Assets - Decrease in net assets without donor restrictions - controlling interest		(131,667)
Consolidated Statements of Changes in Net Assets - Decrease in net assets without donor restrictions - non-controlling interest		<u>(10,218)</u>
	Change in assets without donor restrictions	(141,885)
Consolidated Statements of Operations - Total operating revenues	Total operating revenue and other additions (gains)	7,085,377
Consolidated Statements of Operations - Investment loss	Investment return appropriated for spending	(296,715)
Consolidated Statements of Operations - Total operating revenues and investment loss	Total revenues and gains without donor restrictions	\$ <u>6,788,662</u>

See notes to consolidated financial statements.

Internal Control and Compliance Reports and Schedule



Ernst & Young LLP
Suite 500
700 Nicollet Mall
Minneapolis, MN 55402

Tel: +1 612 343 1000
ey.com

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*

The Board of Trustees, Chief Executive Officer, Chief Financial Officer and Treasurer
Sanford

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 (*Government Auditing Standards*), the financial statements of Sanford, which comprise the consolidated balance sheet as of December 31, 2022, and the related consolidated statements of operations, changes in net assets, and cash flows for the year then ended, and the related notes (collectively referred to as the “financial statements”), and have issued our report thereon dated March 29, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sanford’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sanford’s internal control. Accordingly, we do not express an opinion on the effectiveness of Sanford’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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sanford’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Ernst + Young LLP

March 29, 2023



Ernst & Young LLP
Suite 500
700 Nicollet Mall
Minneapolis, MN 55402

Tel: +1 612 343 1000
ey.com

Report of Independent Auditors on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

The Board of Trustees, Chief Executive Officer, Chief Financial Officer and Treasurer
Sanford

Report of Independent Auditors on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Sanford's compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of Sanford's major federal programs for the year ended December 31, 2022. Sanford's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Sanford complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Sanford and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on compliance for each major federal program. Our audit does not provide a legal determination of Sanford's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Sanford's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Sanford's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Sanford's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Sanford's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Sanford's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Sanford's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor’s Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-001 for the Research and Development Cluster related to Procurement, Suspension and Debarment and 2022-002 for the Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution program related to Activities Allowed or Unallowed and Allowable Costs/Cost Principles to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on Sanford’s response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Sanford’s response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.



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.

Ernst + Young LLP

July 24, 2023

Supplementary Information

SANFORD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Period 1/1/2022 - 12/31/2022

Federal Awarding Agency/Program Title	Federal Assistance Listing	Additional Award Identification	Name of Funder Pass-Through Entity	Identifying Number Assigned By Funder Pass-Through Entity	Total Amount Provided to Sub-Recipients	Federal Expenditures	Federal Program Total	Cluster Name	Cluster Total
DEPARTMENT OF AGRICULTURE									
SPECIAL SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANTS, AND CHILDREN	10.557		SOUTH DAKOTA DEPARTMENT OF HEALTH	22SC091311/23SC091311		\$6,051	\$62,665	N/A	\$0
SPECIAL SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANTS, AND CHILDREN	10.557		NORTH DAKOTA DEPARTMENT OF EMERGENCY MANAGEMENT	G21.420		\$56,614	\$62,665	N/A	\$0
CHILD AND ADULT CARE FOOD PROGRAM	10.558		SOUTH DAKOTA DEPARTMENT OF HEALTH	2020G-CACFP49714		\$2,040,275	\$2,075,986	N/A	\$0
CHILD AND ADULT CARE FOOD PROGRAM	10.558		NORTH DAKOTA DEPARTMENT OF PUBLIC INSTRUCTIONS	N/A		\$16,873	\$2,075,986	N/A	\$0
CHILD AND ADULT CARE FOOD PROGRAM	10.558		UNITED STATES DEPARTMENT OF AGRICULTURE-NEBRASKA	N/A		\$18,838	\$2,075,986	N/A	\$0
TOTAL DEPARTMENT OF AGRICULTURE						\$2,138,651			
DEPARTMENT OF DEFENSE									
MILITARY MEDICAL RESEARCH AND DEVELOPMENT	12.420				\$55,008	\$241,969	\$241,969	RESEARCH AND DEVELOPMENT	\$13,361,367
TOTAL DEPARTMENT OF DEFENSE						\$55,008	\$241,969		
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT									
SUPPORTIVE HOUSING FOR THE ELDERLY	14.157					\$134,791	\$268,187	N/A	\$0
SUPPORTIVE HOUSING FOR THE ELDERLY	14.157					\$133,396	\$268,187	N/A	\$0
EMERGENCY SOLUTIONS GRANT PROGRAM	14.231		MINNESOTA DEPARTMENT OF HUMAN SERVICES	189770		\$159,569	\$159,569	N/A	\$0
SECTION 8 HOUSING CHOICE VOUCHERS	14.871					\$144,694	\$609,543	HOUSING VOUCHER CLUSTER	\$609,543
SECTION 8 HOUSING CHOICE VOUCHERS	14.871					\$464,849	\$609,543	HOUSING VOUCHER CLUSTER	\$609,543
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT						\$1,037,299			
DEPARTMENT OF JUSTICE									
SERVICES FOR TRAFFICKING VICTIMS	16.320		CALL TO FREEDOM	2019-VT-BX-0100		\$63,102	\$63,102	N/A	\$0
CRIME VICTIM ASSISTANCE	16.575		SOUTH DAKOTA DEPARTMENT OF PUBLIC SAFETY	2022-1441-10030		\$263,233	\$291,300	N/A	\$0
CRIME VICTIM ASSISTANCE	16.575		CAWS NORTH DAKOTA	NA		\$28,067	\$291,300	N/A	\$0
RURAL DOMESTIC VIOLENCE, DATING VIOLENCE, SEXUAL ASSAULT, AND STALKING ASSISTANCE PROGRAM	16.589		UNIVERSITY OF SOUTH DAKOTA	A19-0042-S001		\$356	\$356	N/A	\$0
IMPROVING THE INVESTIGATION AND PROSECUTION OF CHILD ABUSE AND THE REGIONAL AND LOCAL CHILDREN'S ADVOCACY CENTERS	16.758		NATIONAL CHILDREN'S ALLIANCE	SIUW-SD-40C21		\$27,503	\$35,743	N/A	\$0
IMPROVING THE INVESTIGATION AND PROSECUTION OF CHILD ABUSE AND THE REGIONAL AND LOCAL CHILDREN'S ADVOCACY CENTERS	16.758		RED RIVER CHILDREN'S ADVOCACY CENTER	N/A		\$8,240	\$35,743	N/A	\$0
SECOND CHANCE ACT REENTRY INITIATIVE	16.812					\$27,086	\$27,086	N/A	\$0
TOTAL DEPARTMENT OF JUSTICE						\$417,587			
DEPARTMENT OF TRANSPORTATION									
FORMULA GRANTS FOR RURAL AREAS AND TRIBAL TRANSIT PROGRAM	20.509		NEBRASKA DEPARTMENT OF TRANSPORTATION	P-I-21-81		\$18,527	\$18,527	N/A	\$0
ENHANCED MOBILITY OF SENIORS AND INDIVIDUALS WITH DISABILITIES	20.513		NEBRASKA DEPARTMENT OF TRANSPORTATION	P-I-22-18		\$15,759	\$45,114	TRANSIT SERVICES PROGRAMS CLUSTER	\$45,114
ENHANCED MOBILITY OF SENIORS AND INDIVIDUALS WITH DISABILITIES	20.513		NEBRASKA DEPARTMENT OF TRANSPORTATION	P-I-22-16		\$14,134	\$45,114	TRANSIT SERVICES PROGRAMS CLUSTER	\$45,114

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ENHANCED MOBILITY OF SENIORS AND INDIVIDUALS WITH DISABILITIES	20.513		NEBRASKA DEPARTMENT OF TRANSPORTATION	P-I-22-19		\$15,221	\$45,114	TRANSIT SERVICES PROGRAMS CLUSTER	\$45,114
NATIONAL PRIORITY SAFETY PROGRAMS	20.616		NORTH DAKOTA DEPARTMENT OF HEALTH	G21.1002		\$11,003	\$11,003	HIGHWAY SAFETY CLUSTER	\$11,003
TOTAL DEPARTMENT OF TRANSPORTATION						\$74,644			
DEPARTMENT OF TREASURY									
CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027		ARIZONA DEPARTMENT OF HEALTH AND HUMAN SERVICES	N/A		\$205,173	\$205,173	N/A	\$0
TOTAL DEPARTMENT OF TREASURY						\$205,173			
FEDERAL COMMUNICATIONS COMMISSION									
COVID-19 TELEHEALTH PROGRAM	32.006					\$195,298	\$195,298	N/A	\$0
TOTAL FEDERAL COMMUNICATIONS COMMISSION						\$195,298			
INSTITUTE OF MUSEUM AND LIBRARY SERVICES OR NATIONAL ENDOWMENT FOR THE ARTS OR NATIONAL ENDOWMENT FOR THE HUMANITIES									
PROMOTION OF THE ARTS PARTNERSHIP AGREEMENTS	45.025		SOUTH DAKOTA ARTS COUNCIL	N/A		\$17,546	\$17,546	N/A	\$0
TOTAL INSTITUTE OF MUSEUM AND LIBRARY SERVICES OR NATIONAL ENDOWMENT FOR THE ARTS OR NATIONAL ENDOWMENT FOR THE HUMANITIES						\$17,546			
NATIONAL SCIENCE FOUNDATION									
BIOLOGICAL SCIENCES	47.074					\$96,208	\$96,208	RESEARCH AND DEVELOPMENT	\$13,361,367
TOTAL NATIONAL SCIENCE FOUNDATION						\$96,208			
DEPARTMENT OF EDUCATION									
FEDERAL PELL GRANT PROGRAM	84.063					\$8,659	\$8,659	STUDENT FINANCIAL ASSISTANCE	\$8,659
SPECIAL EDUCATION-GRANTS FOR INFANTS AND FAMILIES	84.181		SOUTH DAKOTA DEPARTMENT OF EDUCATION	N/A		\$1,153	\$1,153	N/A	\$0
TWENTY-FIRST CENTURY COMMUNITY LEARNING CENTERS	84.287		VOLUNTEERS OF AMERICA, DAKOTAS	N/A		\$76	\$4,203	RESEARCH AND DEVELOPMENT	\$13,361,367
TWENTY-FIRST CENTURY COMMUNITY LEARNING CENTERS	84.287		VOLUNTEERS OF AMERICA, DAKOTAS	N/A		\$1,375	\$4,203	RESEARCH AND DEVELOPMENT	\$13,361,367
TWENTY-FIRST CENTURY COMMUNITY LEARNING CENTERS	84.287		VOLUNTEERS OF AMERICA, DAKOTAS	N/A		\$550	\$4,203	RESEARCH AND DEVELOPMENT	\$13,361,367
TWENTY-FIRST CENTURY COMMUNITY LEARNING CENTERS	84.287		VOLUNTEERS OF AMERICA, DAKOTAS	N/A		\$2,202	\$4,203	RESEARCH AND DEVELOPMENT	\$13,361,367
TOTAL DEPARTMENT OF EDUCATION						\$14,015			
DEPARTMENT OF HEALTH AND HUMAN SERVICES									
PUBLIC HEALTH EMERGENCY PREPAREDNESS	93.069		SOUTH DAKOTA DEPARTMENT OF HEALTH	22SC091311/23SC091311		\$1,368	\$1,368	N/A	\$0
BLOOD DISORDER PROGRAM: PREVENTION, SURVEILLANCE, AND RESEARCH	93.080		GREAT LAKES HEMOPHILIA FOUNDATION	ATHN2020CDC-VW-03		\$3,524	\$3,524	N/A	\$0

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AFFORDABLE CARE ACT (ACA) PERSONAL RESPONSIBILITY EDUCATION PROGRAM	93.092		GREAT PLAINS TRIBAL CHAIRMAN'S HEALTH BOARD	90AT0024		\$11,374	\$11,374	RESEARCH AND DEVELOPMENT	\$13,361,367
COMPREHENSIVE COMMUNITY MENTAL HEALTH SERVICES FOR CHILDREN WITH SERIOUS EMOTIONAL DISTURBANCES (SED)	93.104		SINTE GLESKA UNIVERSITY	H79SM082955		\$2,811	\$2,811	RESEARCH AND DEVELOPMENT	\$13,361,367
MATERNAL AND CHILD HEALTH FEDERAL CONSOLIDATED PROGRAMS	93.110		GREAT LAKES HEMOPHILIA FOUNDATION	H3024052		\$13,664	\$1,366,198	N/A	\$0
MATERNAL AND CHILD HEALTH FEDERAL CONSOLIDATED PROGRAMS	93.110		NORTH DAKOTA DEPARTMENT OF HEALTH	G21.1064		\$670,883	\$1,366,198	N/A	\$0
MATERNAL AND CHILD HEALTH FEDERAL CONSOLIDATED PROGRAMS	93.110		GREAT LAKES HEMOPHILIA FOUNDATION	N/A		\$25,673	\$1,366,198	N/A	\$0
MATERNAL AND CHILD HEALTH FEDERAL CONSOLIDATED PROGRAMS	93.110		GREAT LAKES HEMOPHILIA FOUNDATION	N/A		\$655,978	\$1,366,198	N/A	\$0
ORAL DISEASES AND DISORDERS RESEARCH	93.121		MICHIGAN STATE UNIVERSITY	RC111319A		\$221,529	\$221,529	RESEARCH AND DEVELOPMENT	\$13,361,367
INJURY PREVENTION AND CONTROL RESEARCH AND STATE AND COMMUNITY BASED PROGRAMS	93.136		SOUTH DAKOTA DEPARTMENT OF HEALTH	20SC090639		\$278	\$23,543	RESEARCH AND DEVELOPMENT	\$13,361,367
INJURY PREVENTION AND CONTROL RESEARCH AND STATE AND COMMUNITY BASED PROGRAMS	93.136		UNIVERSITY OF SOUTH DAKOTA	A20-0033-S001		\$23,265	\$23,543	RESEARCH AND DEVELOPMENT	\$13,361,367
RURAL HEALTH RESEARCH CENTERS	93.155		SOUTH DAKOTA DEPARTMENT OF HEALTH	22SC093231		\$76,530	\$1,569,896	N/A	\$0
RURAL HEALTH RESEARCH CENTERS	93.155		SOUTH DAKOTA DEPARTMENT OF HEALTH	22SC093234		\$90,044	\$1,569,896	N/A	\$0
RURAL HEALTH RESEARCH CENTERS	93.155		SOUTH DAKOTA DEPARTMENT OF HEALTH	22SC093230		\$133,411	\$1,569,896	N/A	\$0
RURAL HEALTH RESEARCH CENTERS	93.155		SOUTH DAKOTA DEPARTMENT OF HEALTH	22SC093235		\$57,096	\$1,569,896	N/A	\$0
RURAL HEALTH RESEARCH CENTERS	93.155		SOUTH DAKOTA DEPARTMENT OF HEALTH	22SC093233		\$257,843	\$1,569,896	N/A	\$0
RURAL HEALTH RESEARCH CENTERS	93.155		MINNESOTA DEPARTMENT OF HEALTH	176309		\$174,712	\$1,569,896	N/A	\$0
RURAL HEALTH RESEARCH CENTERS	93.155		MINNESOTA DEPARTMENT OF HEALTH	176227		\$108,433	\$1,569,896	N/A	\$0
RURAL HEALTH RESEARCH CENTERS	93.155		MINNESOTA DEPARTMENT OF HEALTH	176485		\$244,084	\$1,569,896	N/A	\$0
RURAL HEALTH RESEARCH CENTERS	93.155		IOWA DEPARTMENT OF HEALTH	5886BT393		\$271,541	\$1,569,896	N/A	\$0
RURAL HEALTH RESEARCH CENTERS	93.155		MINNESOTA DEPARTMENT OF HEALTH	203573		\$156,202	\$1,569,896	N/A	\$0
HUMAN GENOME RESEARCH	93.172		VANDERBILT UNIVERSITY MEDICAL CENTER	U01HG10232	\$34,713	\$334,494	\$334,494	RESEARCH AND DEVELOPMENT	\$13,361,367
TELEHEALTH PROGRAMS	93.211				\$28,450	\$272,944	\$272,944	N/A	\$0
FAMILY PLANNING SERVICES	93.217		SOUTH DAKOTA DEPARTMENT OF HEALTH	23SC091445		\$241,122	\$241,122	N/A	\$0
STATE RURAL HOSPITAL FLEXIBILITY PROGRAM	93.241		SOUTH DAKOTA DEPARTMENT OF HEALTH	23SC090128		\$15,669	\$15,669	N/A	\$0
MENTAL HEALTH RESEARCH GRANTS	93.242		UNIVERSITY OF MINNESOTA	N008286402		\$128,596	\$204,268	RESEARCH AND DEVELOPMENT	\$13,361,367
MENTAL HEALTH RESEARCH GRANTS	93.242		UNIVERSITY OF CALIFORNIA	124168261		\$75,672	\$204,268	RESEARCH AND DEVELOPMENT	\$13,361,367
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES_PROJECTS OF REGIONAL AND NATIONAL SIGNIFICANCE	93.243					\$58,590	\$195,076	N/A	\$0
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES_PROJECTS OF REGIONAL AND NATIONAL SIGNIFICANCE	93.243					\$109,041	\$195,076	N/A	\$0
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES_PROJECTS OF REGIONAL AND NATIONAL SIGNIFICANCE	93.243					\$4,718	\$195,076	N/A	\$0
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES_PROJECTS OF REGIONAL AND NATIONAL SIGNIFICANCE	93.243		NATIONAL COUNCIL FOR MENTAL WELLBEING	2652.0043		\$22,727	\$195,076	N/A	\$0
IMMUNIZATION COOPERATIVE AGREEMENTS	93.268		SOUTH DAKOTA DEPARTMENT OF HEALTH	22SC091311/23SC091311		\$3,531	\$330,876	N/A	\$0
IMMUNIZATION COOPERATIVE AGREEMENTS	93.268		NORTH DAKOTA DEPARTMENT OF HEALTH	G21.847		\$51,995	\$330,876	N/A	\$0

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IMMUNIZATION COOPERATIVE AGREEMENTS	93.268		MINNESOTA DEPARTMENT OF HEALTH	201829		\$149,960	\$330,876	N/A	\$0
IMMUNIZATION COOPERATIVE AGREEMENTS	93.268		NORTH DAKOTA DEPARTMENT OF HEALTH	G21.848		\$66,160	\$330,876	N/A	\$0
IMMUNIZATION COOPERATIVE AGREEMENTS	93.268		SOUTHWEST HEALTHCARE PREPAREDNESS COALITION	N/A		\$25,264	\$330,876	N/A	\$0
IMMUNIZATION COOPERATIVE AGREEMENTS	93.268		SOUTHWEST HEALTHCARE PREPAREDNESS COALITION	N/A		\$13,010	\$330,876	N/A	\$0
IMMUNIZATION COOPERATIVE AGREEMENTS	93.268		SOUTHWEST HEALTHCARE PREPAREDNESS COALITION	N/A		\$7,231	\$330,876	N/A	\$0
IMMUNIZATION COOPERATIVE AGREEMENTS	93.268		SOUTHWEST HEALTHCARE PREPAREDNESS COALITION	N/A		\$13,725	\$330,876	N/A	\$0
SMALL RURAL HOSPITAL IMPROVEMENT GRANT PROGRAM	93.301		SOUTH DAKOTA DEPARTMENT OF HEALTH	22SC093631		\$12,836	\$209,729	N/A	\$0
SMALL RURAL HOSPITAL IMPROVEMENT GRANT PROGRAM	93.301		SOUTH DAKOTA DEPARTMENT OF HEALTH	22SC093632		\$12,836	\$209,729	N/A	\$0
SMALL RURAL HOSPITAL IMPROVEMENT GRANT PROGRAM	93.301		SOUTH DAKOTA DEPARTMENT OF HEALTH	22SC093634		\$12,836	\$209,729	N/A	\$0
SMALL RURAL HOSPITAL IMPROVEMENT GRANT PROGRAM	93.301		SOUTH DAKOTA DEPARTMENT OF HEALTH	22SC093630		\$12,836	\$209,729	N/A	\$0
SMALL RURAL HOSPITAL IMPROVEMENT GRANT PROGRAM	93.301		SOUTH DAKOTA DEPARTMENT OF HEALTH	22SC093635		\$12,836	\$209,729	N/A	\$0
SMALL RURAL HOSPITAL IMPROVEMENT GRANT PROGRAM	93.301		SOUTH DAKOTA DEPARTMENT OF HEALTH	22SC093633		\$12,836	\$209,729	N/A	\$0
SMALL RURAL HOSPITAL IMPROVEMENT GRANT PROGRAM	93.301		MINNESOTA DEPARTMENT OF HEALTH	195260		\$11,206	\$209,729	N/A	\$0
SMALL RURAL HOSPITAL IMPROVEMENT GRANT PROGRAM	93.301		MINNESOTA DEPARTMENT OF HEALTH	195227		\$11,206	\$209,729	N/A	\$0
SMALL RURAL HOSPITAL IMPROVEMENT GRANT PROGRAM	93.301		MINNESOTA DEPARTMENT OF HEALTH	195256		\$11,206	\$209,729	N/A	\$0
SMALL RURAL HOSPITAL IMPROVEMENT GRANT PROGRAM	93.301		MINNESOTA DEPARTMENT OF HEALTH	195294		\$11,206	\$209,729	N/A	\$0
SMALL RURAL HOSPITAL IMPROVEMENT GRANT PROGRAM	93.301		MINNESOTA DEPARTMENT OF HEALTH	195424		\$11,206	\$209,729	N/A	\$0
SMALL RURAL HOSPITAL IMPROVEMENT GRANT PROGRAM	93.301		MINNESOTA DEPARTMENT OF HEALTH	195438		\$11,206	\$209,729	N/A	\$0
SMALL RURAL HOSPITAL IMPROVEMENT GRANT PROGRAM	93.301		IOWA DEPARTMENT OF HEALTH	N/A		\$10,833	\$209,729	N/A	\$0
SMALL RURAL HOSPITAL IMPROVEMENT GRANT PROGRAM	93.301		NORTH DAKOTA DEPARTMENT OF HEALTH	25974S25		\$10,513	\$209,729	N/A	\$0
SMALL RURAL HOSPITAL IMPROVEMENT GRANT PROGRAM	93.301		NORTH DAKOTA DEPARTMENT OF HEALTH	25974S26		\$10,513	\$209,729	N/A	\$0
SMALL RURAL HOSPITAL IMPROVEMENT GRANT PROGRAM	93.301		MINNESOTA DEPARTMENT OF HEALTH	195292		\$11,206	\$209,729	N/A	\$0
SMALL RURAL HOSPITAL IMPROVEMENT GRANT PROGRAM	93.301		MINNESOTA DEPARTMENT OF HEALTH	195425		\$11,206	\$209,729	N/A	\$0
SMALL RURAL HOSPITAL IMPROVEMENT GRANT PROGRAM	93.301		MINNESOTA DEPARTMENT OF HEALTH	195169		\$11,206	\$209,729	N/A	\$0
SMALL RURAL HOSPITAL IMPROVEMENT GRANT PROGRAM EPIDEMIOLOGY AND LABORATORY CAPACITY FOR INFECTIOUS DISEASES (ELC)	93.323		SOUTH DAKOTA DEPARTMENT OF HEALTH	22SC090406		\$336,467	\$336,467	N/A	\$0
NATIONAL CENTER FOR ADVANCING TRANSLATIONAL SCIENCES	93.350					\$14,195	\$14,195	RESEARCH AND DEVELOPMENT	\$13,361,367
SICKLE CELL TREATMENT DEMONSTRATION PROGRAM	93.365		CHILDREN'S HOSPITAL MEDICAL CENTER	2 U1EMC27863-08-00		\$7,902	\$7,902	RESEARCH AND DEVELOPMENT	\$13,361,367
TITLE: MULTIPLE APPROACHES TO SUPPORT YOUNG BREAST CANCER SURVIVORS AND METASTATIC BREAST CANCER PATIENTS (B)	93.376					\$412,442	\$412,442	N/A	\$0
THE CDC PUBLIC HEALTH CANCER GENOMICS PROGRAM: TRANSLATING RESEARCH INTO PUBLIC HEALTH PRACTICE (B)	93.380		GREAT LAKES HEMOPHILIA FOUNDATION	ATHN2020CDC-VW-02		\$24,486	\$24,486	N/A	\$0

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ACTIVITIES TO SUPPORT STATE, TRIBAL, LOCAL AND TERRITORIAL (STLT) HEALTH DEPARTMENT RESPONSE TO PUBLIC HEALTH OR HEALTHCARE CRISES	93.391		SOUTH DAKOTA DEPARTMENT OF HEALTH	22SC090926/23SC090915		\$127,594	\$702,319	N/A	\$0
ACTIVITIES TO SUPPORT STATE, TRIBAL, LOCAL AND TERRITORIAL (STLT) HEALTH DEPARTMENT RESPONSE TO PUBLIC HEALTH OR HEALTHCARE CRISES	93.391		SOUTH DAKOTA DEPARTMENT OF HEALTH	22SC090793		\$50,637	\$702,319	N/A	\$0
ACTIVITIES TO SUPPORT STATE, TRIBAL, LOCAL AND TERRITORIAL (STLT) HEALTH DEPARTMENT RESPONSE TO PUBLIC HEALTH OR HEALTHCARE CRISES	93.391		SOUTH DAKOTA DEPARTMENT OF HEALTH	22SC090799		\$78,152	\$702,319	N/A	\$0
ACTIVITIES TO SUPPORT STATE, TRIBAL, LOCAL AND TERRITORIAL (STLT) HEALTH DEPARTMENT RESPONSE TO PUBLIC HEALTH OR HEALTHCARE CRISES	93.391		SOUTH DAKOTA DEPARTMENT OF HEALTH	22SC090795		\$42,412	\$702,319	N/A	\$0
ACTIVITIES TO SUPPORT STATE, TRIBAL, LOCAL AND TERRITORIAL (STLT) HEALTH DEPARTMENT RESPONSE TO PUBLIC HEALTH OR HEALTHCARE CRISES	93.391		SOUTH DAKOTA DEPARTMENT OF HEALTH	22SC090792		\$220,191	\$702,319	N/A	\$0
ACTIVITIES TO SUPPORT STATE, TRIBAL, LOCAL AND TERRITORIAL (STLT) HEALTH DEPARTMENT RESPONSE TO PUBLIC HEALTH OR HEALTHCARE CRISES	93.391		SOUTH DAKOTA DEPARTMENT OF HEALTH	22SC090790		\$69,570	\$702,319	N/A	\$0
ACTIVITIES TO SUPPORT STATE, TRIBAL, LOCAL AND TERRITORIAL (STLT) HEALTH DEPARTMENT RESPONSE TO PUBLIC HEALTH OR HEALTHCARE CRISES	93.391		NORTH DAKOTA DEPARTMENT OF HEALTH	G19.1334		\$26,312	\$702,319	N/A	\$0
ACTIVITIES TO SUPPORT STATE, TRIBAL, LOCAL AND TERRITORIAL (STLT) HEALTH DEPARTMENT RESPONSE TO PUBLIC HEALTH OR HEALTHCARE CRISES	93.391		SOUTH DAKOTA DEPARTMENT OF HEALTH	22SC090791		\$48,773	\$702,319	N/A	\$0
ACTIVITIES TO SUPPORT STATE, TRIBAL, LOCAL AND TERRITORIAL (STLT) HEALTH DEPARTMENT RESPONSE TO PUBLIC HEALTH OR HEALTHCARE CRISES	93.391		SOUTH DAKOTA DEPARTMENT OF HEALTH	22SC090794		\$38,678	\$702,319	N/A	\$0
CANCER CAUSE AND PREVENTION RESEARCH	93.393		TRUSTEES OF THE UNIVERSITY OF PENNSYLVANIA	R01CA204193		\$413,162	\$425,639	RESEARCH AND DEVELOPMENT	\$13,361,367
CANCER CAUSE AND PREVENTION RESEARCH	93.393		UNIVERSITY OF NEBRASKA MEDICAL CENTER	R21CA256638		\$12,477	\$425,639	RESEARCH AND DEVELOPMENT	\$13,361,367
CANCER BIOLOGY RESEARCH	93.396		UNIVERSITY OF UTAH	P30CA042014		\$16,125	\$143,419	RESEARCH AND DEVELOPMENT	\$13,361,367
CANCER BIOLOGY RESEARCH	93.396		CHILDREN'S HOSPITAL OF PHILADELPHIA	UG1CA189955		\$127,294	\$143,419	RESEARCH AND DEVELOPMENT	\$13,361,367
CANCER CENTERS SUPPORT GRANTS	93.397		CHILDREN'S HOSPITAL OF PHILADELPHIA	UG1CA189955		\$7,185	\$7,185	RESEARCH AND DEVELOPMENT	\$13,361,367
CANCER CONTROL	93.399					\$6,975	\$990,391	RESEARCH AND DEVELOPMENT	\$13,361,367
CANCER CONTROL	93.399					\$983,416	\$990,391	RESEARCH AND DEVELOPMENT	\$13,361,367
CONSOLIDATED HEALTH CENTERS (COMMUNITY HEALTH CENTERS, MIGRANT HEALTH CENTERS, HEALTH CARE FOR THE HOMELESS, AND PUBLIC HOUSING PRIMARY CARE)	93.426		SOUTH DAKOTA DEPARTMENT OF HEALTH	22SC090184/23SC090184		\$52,503	\$184,353	N/A	\$0
IMPROVING THE HEALTH OF AMERICANS THROUGH PREVENTION AND MANAGEMENT OF DIABETES AND HEART DISEASE AND STROKE	93.426		SOUTH DAKOTA DEPARTMENT OF HEALTH	22SC090011		\$1,822	\$184,353	N/A	\$0
IMPROVING THE HEALTH OF AMERICANS THROUGH PREVENTION AND MANAGEMENT OF DIABETES AND HEART DISEASE AND STROKE	93.426		SOUTH DAKOTA DEPARTMENT OF HEALTH	23SC090511		\$11,867	\$184,353	N/A	\$0
IMPROVING THE HEALTH OF AMERICANS THROUGH PREVENTION AND MANAGEMENT OF DIABETES AND HEART DISEASE AND STROKE	93.426		NORTH DAKOTA DEPARTMENT OF HEALTH	G21.784		\$118,161	\$184,353	N/A	\$0
COVID-19 TESTING FOR THE UNINSURED	93.461					\$1,251,626	\$1,251,626	N/A	\$0
PROVIDER RELIEF FUND	93.498					\$2,977,305	\$74,331,100	N/A	\$0
PROVIDER RELIEF FUND	93.498					\$64,822,962	\$74,331,100	N/A	\$0
PROVIDER RELIEF FUND	93.498					\$6,530,833	\$74,331,100	N/A	\$0
TRANSITIONAL LIVING FOR HOMELESS YOUTH	93.550		VOLUNTEERS OF AMERICA, DAKOTAS	90CX7085		\$2,750	\$2,750	RESEARCH AND DEVELOPMENT	\$13,361,367
CHILD CARE AND DEVELOPMENT BLOCK GRANT	93.575		SOUTH DAKOTA DEPARTMENT OF SOCIAL SERVICES	22SC0843638		\$11,070	\$1,459,386	CCDF CLUSTER	\$1,459,386

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CHILD CARE AND DEVELOPMENT BLOCK GRANT	93.575		SOUTH DAKOTA DEPARTMENT OF SOCIAL SERVICES	22SC0843638		\$20,160	\$1,459,386	CCDF CLUSTER	\$1,459,386
CHILD CARE AND DEVELOPMENT BLOCK GRANT	93.575		SOUTH DAKOTA DEPARTMENT OF SOCIAL SERVICES	22SC0843637		\$1,380	\$1,459,386	CCDF CLUSTER	\$1,459,386
CHILD CARE AND DEVELOPMENT BLOCK GRANT	93.575		SOUTH DAKOTA DEPARTMENT OF SOCIAL SERVICES	22SC0843637		\$3,500	\$1,459,386	CCDF CLUSTER	\$1,459,386
CHILD CARE AND DEVELOPMENT BLOCK GRANT	93.575		SOUTH DAKOTA DEPARTMENT OF SOCIAL SERVICES	23SC081327		\$2,411	\$1,459,386	CCDF CLUSTER	\$1,459,386
CHILD CARE AND DEVELOPMENT BLOCK GRANT	93.575		SOUTH DAKOTA DEPARTMENT OF SOCIAL SERVICES	23SC081328		\$1,983	\$1,459,386	CCDF CLUSTER	\$1,459,386
CHILD CARE AND DEVELOPMENT BLOCK GRANT	93.575		SOUTH DAKOTA DEPARTMENT OF SOCIAL SERVICES	22SC0843606/23SC0843606		\$48,430	\$1,459,386	CCDF CLUSTER	\$1,459,386
CHILD CARE AND DEVELOPMENT BLOCK GRANT	93.575		SOUTH DAKOTA DEPARTMENT OF SOCIAL SERVICES	22SC087608/23SC087608		\$106,697	\$1,459,386	CCDF CLUSTER	\$1,459,386
CHILD CARE AND DEVELOPMENT BLOCK GRANT	93.575		SOUTH DAKOTA DEPARTMENT OF SOCIAL SERVICES	22SC0843606/23SC0843606		\$249,706	\$1,459,386	CCDF CLUSTER	\$1,459,386
CHILD CARE AND DEVELOPMENT BLOCK GRANT	93.575		SOUTH DAKOTA DEPARTMENT OF SOCIAL SERVICES	22SC087608/23SC087608		\$706,799	\$1,459,386	CCDF CLUSTER	\$1,459,386
CHILD CARE AND DEVELOPMENT BLOCK GRANT	93.575		SOUTH DAKOTA DEPARTMENT OF SOCIAL SERVICES	22SC0800059/23SC0800059		\$6,963	\$1,459,386	CCDF CLUSTER	\$1,459,386
CHILD CARE AND DEVELOPMENT BLOCK GRANT	93.575		SOUTH DAKOTA DEPARTMENT OF SOCIAL SERVICES	22SC087001/23SC087001		\$9,048	\$1,459,386	CCDF CLUSTER	\$1,459,386
CHILD CARE AND DEVELOPMENT BLOCK GRANT	93.575		SOUTH DAKOTA DEPARTMENT OF SOCIAL SERVICES	22SC087005/23SC087005		\$17,769	\$1,459,386	CCDF CLUSTER	\$1,459,386
CHILD CARE AND DEVELOPMENT BLOCK GRANT	93.575		NORTH DAKOTA DEPARTMENT OF HUMAN SERVICES	N/A		\$109,350	\$1,459,386	CCDF CLUSTER	\$1,459,386
CHILD CARE AND DEVELOPMENT BLOCK GRANT	93.575		NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES	RITM0090113		\$135,000	\$1,459,386	CCDF CLUSTER	\$1,459,386
CHILD CARE AND DEVELOPMENT BLOCK GRANT	93.575		NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES	RITM005192		\$29,120	\$1,459,386	CCDF CLUSTER	\$1,459,386
COMMUNITY-BASED CHILD ABUSE PREVENTION GRANTS	93.590		PREVENT CHILD ABUSE NORTH DAKOTA	N/A		\$473	\$473	N/A	\$0
EMERGENCY GRANTS TO ADDRESS MENTAL AND SUBSTANCE USE DISORDERS DURING COVID-19	93.665		NORTH DAKOTA DEPARTMENT OF HUMAN SERVICES	510-11751		\$209,758	\$209,758	N/A	\$0
CHILD ABUSE AND NEGLECT STATE GRANTS	93.669		SOUTH DAKOTA DEPARTMENT OF SOCIAL SERVICES	20-0800-085/21-0800-075		\$2,086	\$166,387	N/A	\$0
CHILD ABUSE AND NEGLECT STATE GRANTS	93.669		MINNESOTA DEPARTMENT OF HUMAN SERVICES	GRK164280		\$164,301	\$166,387	N/A	\$0
COVID-19 TESTING FOR RURAL HEALTH CLINICS	93.697					\$2,302,018	\$2,302,018	N/A	\$0
EMPOWERING OLDER ADULTS AND ADULTS WITH DISABILITIES THROUGH CHRONIC DISEASE SELF-MANAGEMENT EDUCATION PROGRAMS FINANCED BY PREVENTION AND PUBLIC HEALTH FUNDS (PPHF)	93.734					\$359,558	\$359,558	N/A	\$0
EVIDENCE-BASED FALLS PREVENTION PROGRAMS FINANCED SOLELY BY PREVENTION AND PUBLIC HEALTH FUNDS (PPHF)	93.761				\$4,373	\$77,321	\$118,110	N/A	\$0
EVIDENCE-BASED FALLS PREVENTION PROGRAMS FINANCED SOLELY BY PREVENTION AND PUBLIC HEALTH FUNDS (PPHF)	93.761					\$40,789	\$118,110	N/A	\$0
OPIOID STR	93.788		MINNESOTA DEPARTMENT OF HUMAN SERVICES	194206		\$223,310	\$223,310	N/A	\$0
ORGANIZED APPROACHES TO INCREASE COLORECTAL CANCER SCREENING	93.800		SOUTH DAKOTA DEPARTMENT OF HEALTH	23SC091514		\$24,317	\$24,317	N/A	\$0
HOSPITAL PREPAREDNESS PROGRAM (HPP) EBOLA PREPAREDNESS AND RESPONSE ACTIVITIES	93.817		NORTH DAKOTA DEPARTMENT OF HEALTH	G17-924		\$1,194,367	\$1,194,367	N/A	\$0
SECTION 223 DEMONSTRATION PROGRAMS TO IMPROVE COMMUNITY MENTAL HEALTH SERVICES	93.829					\$2,960,854	\$2,960,854	N/A	\$0
CARDIOVASCULAR DISEASES RESEARCH	93.837					\$411,820	\$411,820	RESEARCH AND DEVELOPMENT	\$13,361,367
LUNG DISEASES RESEARCH	93.838		MAYO CLINIC	R01HL126667		\$17,206	\$670,541	RESEARCH AND DEVELOPMENT	\$13,361,367
LUNG DISEASES RESEARCH	93.838		UNIVERSITY OF NORTH DAKOTA	OT2HL161847		\$653,335	\$670,541	RESEARCH AND DEVELOPMENT	\$13,361,367

SANFORD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
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Federal Awarding Agency/Program Title	Federal Assistance Listing	Additional Award Identification	Name of Funder Pass-Through Entity	Identifying Number Assigned By Funder Pass-Through Entity	Total Amount Provided to Sub-Recipients	Federal Expenditures	Federal Program Total	Cluster Name	Cluster Total
DIABETES, DIGESTIVE, AND KIDNEY DISEASES EXTRAMURAL RESEARCH	93.847		UNIVERSITY OF SOUTH FLORIDA	UC4 DK117009		\$8,704	\$1,396,609	RESEARCH AND DEVELOPMENT	\$13,361,367
DIABETES, DIGESTIVE, AND KIDNEY DISEASES EXTRAMURAL RESEARCH	93.847		UNIVERSITY OF SOUTH FLORIDA	UC4 DK117009		\$3,876	\$1,396,609	RESEARCH AND DEVELOPMENT	\$13,361,367
DIABETES, DIGESTIVE, AND KIDNEY DISEASES EXTRAMURAL RESEARCH	93.847					\$310,147	\$1,396,609	RESEARCH AND DEVELOPMENT	\$13,361,367
DIABETES, DIGESTIVE, AND KIDNEY DISEASES EXTRAMURAL RESEARCH	93.847					\$111,452	\$1,396,609	RESEARCH AND DEVELOPMENT	\$13,361,367
DIABETES, DIGESTIVE, AND KIDNEY DISEASES EXTRAMURAL RESEARCH	93.847					\$21,601	\$1,396,609	RESEARCH AND DEVELOPMENT	\$13,361,367
DIABETES, DIGESTIVE, AND KIDNEY DISEASES EXTRAMURAL RESEARCH	93.847				\$53,163	\$187,489	\$1,396,609	RESEARCH AND DEVELOPMENT	\$13,361,367
DIABETES, DIGESTIVE, AND KIDNEY DISEASES EXTRAMURAL RESEARCH	93.847		NORTH DAKOTA STATE UNIVERSITY	FAR0027325		\$117,879	\$1,396,609	RESEARCH AND DEVELOPMENT	\$13,361,367
DIABETES, DIGESTIVE, AND KIDNEY DISEASES EXTRAMURAL RESEARCH	93.847		UNIVERSITY OF COLORADO DENVER	DK072493		\$25,966	\$1,396,609	RESEARCH AND DEVELOPMENT	\$13,361,367
DIABETES, DIGESTIVE, AND KIDNEY DISEASES EXTRAMURAL RESEARCH	93.847		CHILDRENS HOSPITAL MEDICAL CENTER	307933		\$39,863	\$1,396,609	RESEARCH AND DEVELOPMENT	\$13,361,367
DIABETES, DIGESTIVE, AND KIDNEY DISEASES EXTRAMURAL RESEARCH	93.847				\$114,786	\$558,278	\$1,396,609	RESEARCH AND DEVELOPMENT	\$13,361,367
DIABETES, DIGESTIVE, AND KIDNEY DISEASES EXTRAMURAL RESEARCH	93.847					\$11,354	\$1,396,609	RESEARCH AND DEVELOPMENT	\$13,361,367
EXTRAMURAL RESEARCH PROGRAMS IN THE NEUROSCIENCES AND NEUROLOGICAL DISORDERS	93.853		UNIVERSITY OF CINCINNATI	010785-133437		\$1,694	\$194,379	RESEARCH AND DEVELOPMENT	\$13,361,367
EXTRAMURAL RESEARCH PROGRAMS IN THE NEUROSCIENCES AND NEUROLOGICAL DISORDERS	93.853		UNIVERSITY OF CINCINNATI	U01NS099043		-\$1,994	\$194,379	RESEARCH AND DEVELOPMENT	\$13,361,367
EXTRAMURAL RESEARCH PROGRAMS IN THE NEUROSCIENCES AND NEUROLOGICAL DISORDERS	93.853		ROSALIND FRANKLIN UNIVERSITY OF MEDICINE	R01NS113233		\$181,382	\$194,379	RESEARCH AND DEVELOPMENT	\$13,361,367
EXTRAMURAL RESEARCH PROGRAMS IN THE NEUROSCIENCES AND NEUROLOGICAL DISORDERS	93.853		H. LEE MOFFITT CANCER CENTER & RESEARCH INSTITUTE	R56NS117926		\$13,297	\$194,379	RESEARCH AND DEVELOPMENT	\$13,361,367
EXTRAMURAL RESEARCH PROGRAMS IN THE NEUROSCIENCES AND NEUROLOGICAL DISORDERS	93.853		BENAROVA RESEARCH INSTITUTE AT VIRGINIA MASON	UM1AI109565		\$5,277	\$5,277	RESEARCH AND DEVELOPMENT	\$13,361,367
BIOMEDICAL RESEARCH AND RESEARCH TRAINING	93.859		UNIVERSITY OF NORTH DAKOTA	U54GM128729		\$558,782	\$7,241,645	RESEARCH AND DEVELOPMENT	\$13,361,367
BIOMEDICAL RESEARCH AND RESEARCH TRAINING	93.859					\$372,137	\$7,241,645	RESEARCH AND DEVELOPMENT	\$13,361,367
BIOMEDICAL RESEARCH AND RESEARCH TRAINING	93.859		UNIVERSITY OF SOUTH DAKOTA	U54GM128729		\$6,814	\$7,241,645	RESEARCH AND DEVELOPMENT	\$13,361,367
BIOMEDICAL RESEARCH AND RESEARCH TRAINING	93.859		UNIVERSITY OF NORTH DAKOTA	U54GM128729		\$96,186	\$7,241,645	RESEARCH AND DEVELOPMENT	\$13,361,367
BIOMEDICAL RESEARCH AND RESEARCH TRAINING	93.859		NORTH DAKOTA STATE UNIVERSITY	U54GM128729		\$710	\$7,241,645	RESEARCH AND DEVELOPMENT	\$13,361,367
BIOMEDICAL RESEARCH AND RESEARCH TRAINING	93.859		UNIVERSITY OF NORTH DAKOTA	U54GM128729		\$3,274	\$7,241,645	RESEARCH AND DEVELOPMENT	\$13,361,367
BIOMEDICAL RESEARCH AND RESEARCH TRAINING	93.859		UNIVERSITY OF NORTH DAKOTA	U54GM128729	\$27,938	\$28,444	\$7,241,645	RESEARCH AND DEVELOPMENT	\$13,361,367
BIOMEDICAL RESEARCH AND RESEARCH TRAINING	93.859		NORTH DAKOTA STATE UNIVERSITY	U54GM128729		\$4,253	\$7,241,645	RESEARCH AND DEVELOPMENT	\$13,361,367
BIOMEDICAL RESEARCH AND RESEARCH TRAINING	93.859		UNIVERSITY OF NORTH DAKOTA	U54GM128729		\$6,084	\$7,241,645	RESEARCH AND DEVELOPMENT	\$13,361,367
BIOMEDICAL RESEARCH AND RESEARCH TRAINING	93.859		UNIVERSITY OF NORTH DAKOTA	U54GM128729		\$52,854	\$7,241,645	RESEARCH AND DEVELOPMENT	\$13,361,367
BIOMEDICAL RESEARCH AND RESEARCH TRAINING	93.859		UNIVERSITY OF NORTH DAKOTA	U54GM128729		\$917	\$7,241,645	RESEARCH AND DEVELOPMENT	\$13,361,367
BIOMEDICAL RESEARCH AND RESEARCH TRAINING	93.859		NORTH DAKOTA STATE UNIVERSITY	U54GM128729		\$1,224	\$7,241,645	RESEARCH AND DEVELOPMENT	\$13,361,367
BIOMEDICAL RESEARCH AND RESEARCH TRAINING	93.859		NORTH DAKOTA STATE UNIVERSITY	U54GM128729		\$1,086	\$7,241,645	RESEARCH AND DEVELOPMENT	\$13,361,367
BIOMEDICAL RESEARCH AND RESEARCH TRAINING	93.859					\$99,098	\$7,241,645	RESEARCH AND DEVELOPMENT	\$13,361,367
BIOMEDICAL RESEARCH AND RESEARCH TRAINING	93.859		UNIVERSITY OF NORTH DAKOTA	U54GM128729		\$12,316	\$7,241,645	RESEARCH AND DEVELOPMENT	\$13,361,367
BIOMEDICAL RESEARCH AND RESEARCH TRAINING	93.859		UNIVERSITY OF NORTH DAKOTA	UND002619-S1		\$31,010	\$7,241,645	RESEARCH AND DEVELOPMENT	\$13,361,367
BIOMEDICAL RESEARCH AND RESEARCH TRAINING	93.859		UNIVERSITY OF NORTH DAKOTA	U54GM128729		\$7,751	\$7,241,645	RESEARCH AND DEVELOPMENT	\$13,361,367
BIOMEDICAL RESEARCH AND RESEARCH TRAINING	93.859				\$391,659	\$1,739,925	\$7,241,645	RESEARCH AND DEVELOPMENT	\$13,361,367
BIOMEDICAL RESEARCH AND RESEARCH TRAINING	93.859					\$719,639	\$7,241,645	RESEARCH AND DEVELOPMENT	\$13,361,367
BIOMEDICAL RESEARCH AND RESEARCH TRAINING	93.859				\$29,659	\$1,476,566	\$7,241,645	RESEARCH AND DEVELOPMENT	\$13,361,367
BIOMEDICAL RESEARCH AND RESEARCH TRAINING	93.859				\$391,827	\$2,022,575	\$7,241,645	RESEARCH AND DEVELOPMENT	\$13,361,367
CHILD HEALTH AND HUMAN DEVELOPMENT EXTRAMURAL RESEARCH	93.865		UNIVERSITY OF IOWA	UG1HD053109		\$74,441	\$163,202	RESEARCH AND DEVELOPMENT	\$13,361,367
CHILD HEALTH AND HUMAN DEVELOPMENT EXTRAMURAL RESEARCH	93.865					\$88,761	\$163,202	RESEARCH AND DEVELOPMENT	\$13,361,367
AGING RESEARCH	93.866		BROWN UNIVERSITY	N/A		\$37,823	\$37,823	RESEARCH AND DEVELOPMENT	\$13,361,367
VISION RESEARCH	93.867		UNIVERSITY OF ROCHESTER	R01EY030183		\$16,939	\$16,939	RESEARCH AND DEVELOPMENT	\$13,361,367
NATIONAL BIOTERRORISM HOSPITAL PREPAREDNESS PROGRAM	93.889		WOODBURY COUNTY	N/A		\$5,669	\$204,553	N/A	\$0
NATIONAL BIOTERRORISM HOSPITAL PREPAREDNESS PROGRAM	93.889		WEST CENTRAL HEALTHCARE COALITION	N/A		\$25,269	\$204,553	N/A	\$0
NATIONAL BIOTERRORISM HOSPITAL PREPAREDNESS PROGRAM	93.889		MINNESOTA DEPARTMENT OF HEALTH	160775		\$167,665	\$204,553	N/A	\$0

SANFORD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Period 1/1/2022 - 12/31/2022

Federal Awarding Agency/Program Title	Federal Assistance Listing	Additional Award Identification	Name of Funder Pass-Through Entity	Identifying Number Assigned By Funder Pass-Through Entity	Total Amount Provided to Sub-Recipients	Federal Expenditures	Federal Program Total	Cluster Name	Cluster Total
NATIONAL BIOTERRORISM HOSPITAL PREPAREDNESS PROGRAM	93.889		MINNESOTA DEPARTMENT OF HEALTH	160775		\$5,950	\$204,553	N/A	\$0
CANCER PREVENTION AND CONTROL PROGRAMS FOR STATE, TERRITORIAL AND TRIBAL ORGANIZATIONS	93.898		SOUTH DAKOTA DEPARTMENT OF HEALTH	23SC090245		\$3,914	\$54,788	N/A	\$0
CANCER PREVENTION AND CONTROL PROGRAMS FOR STATE, TERRITORIAL AND TRIBAL ORGANIZATIONS	93.898		SOUTH DAKOTA DEPARTMENT OF HEALTH	22SC090443		\$25,134	\$54,788	N/A	\$0
CANCER PREVENTION AND CONTROL PROGRAMS FOR STATE, TERRITORIAL AND TRIBAL ORGANIZATIONS	93.898		SOUTH DAKOTA DEPARTMENT OF HEALTH	22SC090885		\$10,269	\$54,788	N/A	\$0
CANCER PREVENTION AND CONTROL PROGRAMS FOR STATE, TERRITORIAL AND TRIBAL ORGANIZATIONS	93.898		SOUTH DAKOTA DEPARTMENT OF HEALTH	22SC090213		\$4,500	\$54,788	N/A	\$0
CANCER PREVENTION AND CONTROL PROGRAMS FOR STATE, TERRITORIAL AND TRIBAL ORGANIZATIONS	93.898		NORTH DAKOTA DEPARTMENT OF HEALTH	G19-1206B		\$8,133	\$54,788	N/A	\$0
CANCER PREVENTION AND CONTROL PROGRAMS FOR STATE, TERRITORIAL AND TRIBAL ORGANIZATIONS	93.898		NORTH DAKOTA DEPARTMENT OF HEALTH	G19.1049		\$2,838	\$54,788	N/A	\$0
RURAL HEALTH CARE SERVICES OUTREACH, RURAL HEALTH NETWORK DEVELOPMENT AND SMALL HEALTH CARE PROVIDER QUALITY IMPROVEMENT	93.912		SOUTH DAKOTA DEPARTMENT OF HEALTH	23SC090147		\$12,921	\$981,282	N/A	\$0
RURAL HEALTH CARE SERVICES OUTREACH, RURAL HEALTH NETWORK DEVELOPMENT AND SMALL HEALTH CARE PROVIDER QUALITY IMPROVEMENT	93.912					\$307,399	\$981,282	N/A	\$0
RURAL HEALTH CARE SERVICES OUTREACH, RURAL HEALTH NETWORK DEVELOPMENT AND SMALL HEALTH CARE PROVIDER QUALITY IMPROVEMENT	93.912					\$67,622	\$981,282	N/A	\$0
RURAL HEALTH CARE SERVICES OUTREACH, RURAL HEALTH NETWORK DEVELOPMENT AND SMALL HEALTH CARE PROVIDER QUALITY IMPROVEMENT	93.912				\$84,171	\$592,032	\$981,282	N/A	\$0
RURAL HEALTH CARE SERVICES OUTREACH, RURAL HEALTH NETWORK DEVELOPMENT AND SMALL HEALTH CARE PROVIDER QUALITY IMPROVEMENT	93.912					\$1,308	\$981,282	N/A	\$0
BLOCK GRANTS FOR PREVENTION AND TREATMENT OF SUBSTANCE ABUSE	93.959		MINNESOTA DEPARTMENT OF HUMAN SERVICES	GRK%133966		\$48,053	\$48,053	N/A	\$0
PPHF GERIATRIC EDUCATION CENTERS	93.969		UNIVERSITY OF NORTH DAKOTA	UND002637B-S1		\$39,617	\$39,617	N/A	\$0
MENTAL HEALTH DISASTER ASSISTANCE AND EMERGENCY MENTAL HEALTH	93.982		SOUTH DAKOTA DEPARTMENT OF SOCIAL SERVICES	22-0851-392/23SC08B392		\$5,800	\$5,800	N/A	\$0
MATERNAL AND CHILD HEALTH SERVICES BLOCK GRANT TO THE STATES	93.994		SOUTH DAKOTA DEPARTMENT OF HEALTH	22SC090912		\$208,069	\$345,311	N/A	\$0
MATERNAL AND CHILD HEALTH SERVICES BLOCK GRANT TO THE STATES	93.994		SOUTH DAKOTA DEPARTMENT OF HEALTH	22SC090783		\$93,257	\$345,311	N/A	\$0
MATERNAL AND CHILD HEALTH SERVICES BLOCK GRANT TO THE STATES	93.994		SOUTH DAKOTA DEPARTMENT OF HEALTH	22SC091311/23SC091311		\$2,025	\$345,311	N/A	\$0
MATERNAL AND CHILD HEALTH SERVICES BLOCK GRANT TO THE STATES	93.994		NORTH DAKOTA DEPARTMENT OF HEALTH	G21.127		\$41,960	\$345,311	N/A	\$0
NIAID HIV AND OTHER INFECTIOUS DISEASES CLINICAL RESEARCH SUPPORT SERVICES (CRSS)	93.RD	HHSN272201700078C	PPD INVESTIGATOR SERVICES	HHSN272201700078C		\$1,596	\$491,252	RESEARCH AND DEVELOPMENT	\$13,361,367
NATIONAL CANCER INSTITUTE	93.RD	HHSN261201800022I				\$489,656	\$491,252	RESEARCH AND DEVELOPMENT	\$13,361,367
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES					\$1,160,739	\$105,166,124			
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE									
SENIOR COMPANION PROGRAM	94.016					\$247,557	\$247,557	FOSTER GRANDPARENT/SENIOR COMPANION CLUSTER	\$247,557
TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE						\$247,557			
DEPARTMENT OF HOMELAND SECURITY									
BOATING SAFETY FINANCIAL ASSISTANCE	97.012		SAFE KIDS WORLDWIDE	30006740-02		\$3,999	\$3,999	N/A	\$0

SANFORD
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Fiscal Period 1/1/2022 - 12/31/2022

Federal Awarding Agency/Program Title	Federal Assistance Listing	Additional Award Identification	Name of Funder Pass-Through Entity	Identifying Number Assigned By Funder Pass-Through Entity	Total Amount Provided to Sub-Recipients	Federal Expenditures	Federal Program Total	Cluster Name	Cluster Total
<i>DISASTER GRANTS - PUBLIC ASSISTANCE (PRESIDENTIALLY DECLARED DISASTERS)</i>	97.036		FLORIDA DIVISION OF EMERGENCY MANAGEMENT	4337-366-R		\$14,061	\$5,945,539	N/A	\$0
<i>DISASTER GRANTS - PUBLIC ASSISTANCE (PRESIDENTIALLY DECLARED DISASTERS)</i>	97.036		SOUTH DAKOTA DEPARTMENT OF PUBLIC SAFETY	SD-4527-PW-00005(4)		\$5,488,598	\$5,945,539	N/A	\$0
<i>DISASTER GRANTS - PUBLIC ASSISTANCE (PRESIDENTIALLY DECLARED DISASTERS)</i>	97.036		NORTH DAKOTA DEPARTMENT OF EMERGENCY SERVICES	FEMA-4509-DR		\$442,880	\$5,945,539	N/A	\$0
TOTAL DEPARTMENT OF HOMELAND SECURITY						<u>\$5,949,538</u>			
TOTAL EXPENDITURE OF FEDERAL AWARDS					<u>\$1,215,747</u>	<u>\$115,801,609</u>			

Please Note:

Italicized award lines indicate pass-through funding

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

Sanford

Notes to Schedule of Expenditures of Federal Awards

December 31, 2022

1. Basis of Presentation and Summary of Significant Accounting Policies

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award expenditures of Sanford and its controlled entities under programs of the federal government for the year ended December 31, 2022. The information in this Schedule is presented in accordance with the 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). The Schedule is prepared on the accrual basis of accounting and should be read in conjunction with the consolidated financial statements of Sanford. Expenditures are recognized following the cost principles contained in the Uniform Guidance.

2. Indirect Cost Rate

Indirect cost rates for Sanford were based on applicable U.S. Department of Health and Human Services (HHS) negotiated rates, the 10% de minimis indirect cost rate allowed by the Uniform Guidance, or sponsor-specific (capped) rates.

3. Provider Relief Fund Payments

The Schedule includes \$74,331,100 received from HHS between January 1, 2021 and December 30, 2021, under the COVID-19 Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution (PRF) program for Assistance Listing No. 93.498. In accordance with guidance from HHS, these amounts are presented as Periods 3 and 4 in the HHS PRF Reporting Portal. Such amounts were recognized as other operating revenue in the Sanford financial statements for the years ended December 31, 2022 and 2021. Due to the PRF Reporting requirements, these amounts are not the total PRF received and/or recognized as other operating revenue in the years presented in the Schedule.

Sanford

Notes to Schedule of Expenditures of Federal Awards (continued)

3. Provider Relief Fund Payments (continued)

The amount presented on the Schedule for Assistance Listing No. 93.498 is for the fiscal year ended December 31, 2022, and comprises the following entities:

Legal Entity Name	Tax Identification Number
Sanford Clinic North	91-1770748
Sanford Clinic	46-0447693
Sanford Health Network North	45-0409348
Sanford Health of Northern Minnesota	41-1266009
Sanford Health Network	46-0388596
Sanford Bismarck	45-0226700
Sanford Medical Center	46-0227855
Sanford Medical Center Fargo	45-0226909
Fargo-Moorhead Ambulance Service, Inc.	45-0344371
Choice Home Healthcare	38-4044054
The Evangelical Lutheran Good Samaritan Society	45-0228055
Sanford Home Health	46-0282134
Shetek Medical Services	41-2004685
Healthcare Accessories	20-2404179
Heritage Healthcare Services, Inc.	85-0418562

Sanford

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2022

Section I – Summary of Auditor’s Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ **yes** X **no**

Significant deficiency(ies) identified?

_____ **yes** X **none reported**

Noncompliance material to financial statements noted?

_____ **yes** X **no**

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

_____ **yes** X **no**

Significant deficiency(ies) identified?

 X **yes** _____ **none reported**

Type of auditor’s report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

 X **yes** _____ **no**

Identification of major federal programs:

Assistance listing number

Name of federal program or cluster

Various

Research & Development Cluster

93.498

Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution

97.036

Disaster Grants – Public Assistance (Presidentially Declared Disasters)

Sanford

Schedule of Findings and Questioned Costs (continued)

Section I – Summary of Auditor’s Results (continued)

Dollar threshold used to distinguish between
Type A and Type B programs:

\$ 3,000,000

Auditee qualified as low-risk auditee?

 X **yes** **no**

Sanford

Schedule of Findings and Questioned Costs (continued)

Section II – Financial Statement Findings

None identified.

Sanford

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs

Finding 2022-001

Identification of the federal program:

Federal Agency: Various

Assistance Listing: Various; Research and Development Cluster

Award Year: 2022

Criteria or specific requirement (including statutory, regulatory or other citation):

2 CFR Section 200.303 of the Uniform Guidance states the following regarding internal control:

“The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).”

The Uniform Guidance 2 CFR Section 200.213 states, “Non-federal entities are subject to the non-procurement debarment and suspension regulations implementing Executive Orders 12549 and 12689, 2 CFR Part 180. These regulations restrict awards, subawards, and contracts with certain parties that are debarred, suspended or otherwise excluded from or ineligible for participation in Federal assistance programs or activities”.

Sanford

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Condition:

We noted the following matters during our testing of suspension and debarment control processes:

- (a) A third-party vendor performed the suspension and debarment validation process for Sanford. The third-party vendor does not have a SOC 1 (System and Organization Controls) Report. Sanford relied on the suspension and debarment checks performed by the third-party vendor for results concluding no match without completing a validation control to ensure the results provided by the third party were accurate.
- (b) To ensure compliance with 2 CFR Section 200.213, Sanford conducts both preventive and detective controls in its vendor setup and monitoring process to ensure new vendors and active vendors are not suspended or debarred. A consistent vendor setup process is followed for each new vendor that Sanford transacts with, regardless of whether the vendor transactions are funded through federal grant funding or through other sources. To prevent a suspended or debarred vendor from being added as a new vendor, the vendor is checked against the suspension and debarment database electronically before completion of the vendor setup. Subsequent to vendor setup, Sanford also monitors the status of its vendors to ensure the vendor's status has not changed. Sanford does not retain the supporting documentation that the vendor setup check resulted in no match in the suspension and debarment database indicating the vendor is not suspended or debarred.
- (c) Sanford did not retain the supporting documentation of the reconciliation of the vendor list that is received from the third-party vendor that is used to perform the suspension and debarment checks after the suspension and debarment checks are performed to ensure the listing is complete and agrees to the vendor list provided by Sanford to the third-party vendor.

Cause:

Sanford utilizes a third-party vendor to perform suspension and debarment checks on its vendors, both during the vendor setup process as well as ongoing monitoring of active vendors. Sanford did not add an additional validation control to ensure that the suspension and debarment checks performed by the third-party vendor aligned with the governmental suspension and debarment database when the search resulted in no match.

Sanford

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Sanford did not have policies and procedures in place to require that documentation is retained of its suspension and debarment checks performed when a new vendor is set up in the system if the vendor check resulted in no match with the suspension and debarment database indicating the vendor is not suspended or debarred.

In addition, Sanford did not have policies and procedures in place to require that documentation is retained to support the reconciliations performed for ongoing monitoring purposes between the vendor list sent to the third-party vendor and the results provided by the third-party vendor.

Effect or potential effect:

Sanford's screening for suspension and debarment through the third-party vendor results may not be accurate.

By failing to retain the documentation of the reconciliation of vendor files to the third-party vendor search results, sufficient evidence was not retained to prove that the reconciliation took place.

As a result, there was not sufficient evidence to validate the appropriate internal controls took place to prevent Sanford from transacting with a vendor that was suspended or debarred, which was ultimately charged to a federal program.

Questioned costs:

\$0

Context:

The federal portion of expenditures subject to suspension and debarment was approximately \$1,300,000, which represents approximately 10% of the Research and Development Cluster federal expenditures, of which no vendors were determined to be suspended or debarred. The total amount reported on the SEFA for R&D cluster is \$13,361,367.

Identification as a repeat finding, if applicable:

Not applicable

Sanford

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Recommendation:

Management should add controls to validate the accuracy of the suspension and debarment search results performed by the third-party vendor when the search results in no match.

Management should implement documentation retention processes to provide evidence over the suspension and debarment search for “new” vendors. In addition, management should implement documentation retention processes over the reconciliation between the vendor list sent to the third-party vendor to document completeness of the suspension and debarment check.

Views of responsible officials:

As it relates to the reliance on the third-party vendor that conducts suspension and debarment - party vendor searches, the third party vendor provides Sanford a SOC (System and Organizational Controls) 2 Type II report annually over the effectiveness of its controls. This is reviewed by Sanford’s compliance department to ensure that there are no findings that would be of concern to Sanford’s reliance on the vendor transaction. Considering the third-party vendor is not relied upon for financial controls, the third-party vendor does not have a SOC 1 (System and Organization Controls) Report and therefore did not provide this level of report to Sanford.

To provide context on scale of vendors subject to suspension and debarment, Sanford paid a total of 27,000 vendors in 2022. There were three vendors identified through the vendor setup and monitoring process to be suspended or debarred. None of those vendors were associated with the programs funded with federal funds.

Sanford’s preventive and detective controls and operating procedures provide reasonable assurance over the effectiveness of the controls necessary to prevent the risk of federal funds being paid to vendors that are suspended or disbarred. Sanford believes the risk of any material disbursement to suspended and debarred vendors is effectively mitigated through existing preventive and detective internal controls.

Sanford will document a periodic validation of the suspension and debarment search results performed by the third-party vendor for vendor searches that yield no suspension and debarment match. In addition, Sanford will enhance its procedural documentation regarding retention of evidence related to reconciliation of vendor list when discrepancies are identified and the suspension and debarment results that is generated through the vendor setup process.

Sanford

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2022-002

Identification of the federal program:

Federal Agency: U.S. Department of Health and Human Services (HHS) Health Resources and Services Administration (HRSA)

Assistance Listing: 93.498; COVID-19 Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution (PRF)

Award Year: 2022

Criteria or specific requirement (including statutory, regulatory or other citation):

2 CFR Section 200.303 of the Uniform Guidance states the following regarding internal control:

“The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).”

Condition:

In our allowability testing, for PRF expenses submitted for reporting period 4, management did not maintain documentation to support the review and approval of one timecard evidencing contract labor hours and activities performed at a Sanford senior care facility.

We further noted two expenses, for reporting period 4, where management did not maintain documentation to support the review and approval of the invoice for contract labor at a Sanford senior care facility.

Sanford

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Management represented that the timecard and invoices for the Sanford senior care facility were reviewed and approved prior to payment and submission of contract labor expenses for PRF.

Cause:

Management did not have sufficient internal controls in place to retain documentation of its review and approval of the timecard and invoices for the Sanford senior care facility.

Effect or potential effect:

Lack of adequate internal controls could potentially result in unallowable costs charged to the PRF program.

Questioned costs:

\$0

Context:

We tested a total of 40 expenditures and noted that the documentation to support the review and approval for one contractor timecard and two contract labor invoices was not maintained for a Sanford senior care facility.

Contract labor expenses, which were submitted for PRF reporting period 4, totaled \$4,287,482. For the senior care facility that did not have documentation to support the review and approval of contractor timecard and contract labor invoices, \$152,539 in total contract labor expenses were submitted for PRF reporting period 4.

The total amounts reported on the SEFA, which includes reporting period 3 and reporting period 4, is \$74,311,100.

Identification as a repeat finding, if applicable:

Not applicable

Sanford

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Recommendation:

Management should enhance its internal controls and ensure that it retains documentation and evidence of its review and approval of contract labor timecards and contract labor invoices at the Sanford senior care facility.

Views of responsible officials:

Sanford's preventive and detective controls and operating procedures provide reasonable assurance over the effectiveness of the controls necessary to prevent the risk of federal funds being used for unallowable contract labor costs. Sanford believes that the risk of any material contract labor costs being incorrectly charged to a federal grant is effectively mitigated through existing preventive and detective internal controls.

Sanford will re-educate the senior care facility's administrators and enhance its procedural documentation regarding retention of evidence related to the approval of contract labor timecards and payment of contract labor invoices for this facility to be consistent with the over 200 other facilities across the system.

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