LIFESPAN CORPORATION AND AFFILIATES

Independent Auditors' Reports as Required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles,* and *Audit Requirements for Federal Awards* and *Government Auditing Standards* and Related Information

Year ended September 30, 2019

LIFESPAN CORPORATION AND AFFILIATES

Independent Auditors' Reports as Required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles,* and *Audit Requirements for Federal Awards* and *Government Auditing Standards* and Related Information

Year Ended September 30, 2019

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

Exhibit I

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

The Board of Directors
Lifespan Corporation:

Report on Compliance for Major Federal Program

We have audited Lifespan Corporation and Affiliates' (Lifespan) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Lifespan's major federal program for the year ended September 30, 2019. Lifespan's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Major Federal Program

In our opinion, Lifespan complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2019.

Report on Internal Control Over Compliance

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

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

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the consolidated financial statements of Lifespan as of and for the year ended September 30, 2019, and have issued our report thereon dated February 21, 2020, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

Providence, Rhode Island
July 24, 2020

KPMG LLP
Suite 2300
One Financial Plaza
Providence, RI 02903-2321

Exhibit II

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

The Board of Directors
Lifespan Corporation:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Lifespan Corporation and Affiliates (Lifespan), which comprise the consolidated statement of financial position as of September 30, 2019, and the related consolidated statements of operations and changes in net assets, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated February 21, 2020. This report included an Emphasis of Matters paragraph referring to Lifespan's adoption, during the year ended September 30, 2019, of Financial Accounting Standards Board Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*; ASU No. 2017-07, *Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*; ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended; and ASU No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to these matters.

Internal Control Over Financial Reporting

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

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

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

Exhibit II

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lifespan's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 Lifespan's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lifespan's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Providence, Rhode Island
February 21, 2020

LIFESPAN CORPORATION AND AFFILIATES

Schedule of Findings and Questioned Costs

Year ended September 30, 2019

Exhibit III

(1) Summary of Auditor's Results

a. Type of report issued on whether the consolidated financial statements were prepared in accordance with generally accepted accounting principles: **Unmodified**

b. Internal control deficiencies over financial reporting disclosed by the audit of the consolidated financial statements:

- Material weaknesses: **No**
- Significant deficiencies: **None reported**

c. Noncompliance material to the financial statements: **No**

d. Internal control deficiencies over major programs disclosed by the audit:

- Material weaknesses: **No**
- Significant deficiencies: **None reported**

e. Type of report issued on compliance for major programs: **Unmodified**

f. Audit findings that are required to be reported in accordance with 2 CFR 200.516(a): **None**

g. Major program:

- Research and Development Cluster – various CFDA numbers

h. Dollar threshold used to distinguish between Type A and Type B programs: **$1,971,483**

i. Auditee qualified as a low-risk auditee: **Yes**

(2) Findings Relating to the Consolidated Financial Statements Reported in Accordance with *Government Auditing Standards*

None reported.

(3) Findings and Questioned Costs Relating to Federal Awards

None reported.

Exhibit IV

KPMG

LIFESPAN CORPORATION AND AFFILIATES

Consolidated Financial Statements and Supplementary Information - Schedule of Expenditures of Federal Awards

September 30, 2019 and 2018

(With Independent Auditors' Report Thereon)

LIFESPAN CORPORATION AND AFFILIATES

Consolidated Financial Statements and Supplementary Information -
Schedule of Expenditures of Federal Awards

September 30, 2019 and 2018

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Independent Auditors' Report

The Board of Directors
Lifespan Corporation:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Lifespan Corporation and Affiliates (Lifespan), which comprise the consolidated statements of financial position as of September 30, 2019 and 2018, the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Lifespan Corporation and Affiliates as of September 30, 2019 and 2018, the changes in their net assets and their cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

Emphasis of Matters

As discussed in Note 3(b) to the consolidated financial statements, during the year ended September 30, 2019 Lifespan Corporation and Affiliates adopted Financial Accounting Standards Board Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*; ASU No. 2017-07, *Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*; ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended; and ASU No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to these matters.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2020 on our consideration of Lifespan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Lifespan's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lifespan's internal control over financial reporting and compliance.

KPMG LLP

Providence, Rhode Island
February 21, 2020

LIFESPAN CORPORATION AND AFFILIATES

Consolidated Statements of Financial Position

September 30, 2019 and 2018

(In thousands)

Assets	2019	2018
Current assets:		
Cash and cash equivalents	$ 118,675	$ 115,472
Patient accounts receivable	238,369	203,299
Other receivables	29,219	26,724
Current portion of contributions receivable, net	5,304	4,403
Total receivables	272,892	234,426
Assets limited as to use	46,614	52,139
Inventories	32,657	33,939
Prepaid expenses and other current assets	15,865	16,081
Total current assets	486,703	452,057
Assets limited as to use	1,197,002	1,231,821
Less amount required to meet current obligations	(46,614)	(52,139)
Noncurrent assets limited as to use	1,150,388	1,179,682
Property and equipment, net	840,518	837,444
Other assets:		
Contributions receivable, net	9,373	6,602
Other noncurrent assets	31,226	29,277
Total other assets	40,599	35,879
Total assets	$ 2,518,208	$ 2,505,062

Liabilities and Net Assets	2019	2018
Current liabilities:		
Accounts payable	$ 134,138	$ 93,413
Accrued employee benefits and compensation	102,223	93,544
Other accrued expenses	10,800	10,209
Revolving credit loan payable	20,000	—
Current portion of long-term debt	22,506	21,700
Current portion of estimated third-party payor settlements	8,154	8,727
Current portion of estimated malpractice and other self-insurance costs	66,426	69,268
Total current liabilities	364,247	296,861
Long-term debt, net of current portion	262,484	288,492
Estimated third-party payor settlements, net of current portion	29,993	29,993
Estimated malpractice self-insurance costs, net of current portion	101,993	92,115
Accrued pension liability	250,273	188,523
Other liabilities	57,809	53,869
Total liabilities	1,066,799	949,853
Net assets:		
Net assets without donor restrictions	886,893	993,372
Net assets with donor restrictions	564,516	561,837
Total net assets	1,451,409	1,555,209
Total liabilities and net assets	$ 2,518,208	$ 2,505,062

See accompanying notes to consolidated financial statements.

LIFESPAN CORPORATION AND AFFILIATES

Consolidated Statements of Operations and Changes in Net Assets

Years ended September 30, 2019 and 2018

(In thousands)

	2019	2018
Revenues and other support without donor restrictions:		
Patient service revenue	$ 2,108,216	$ 2,037,907
Other revenues	156,387	129,081
Endowment earnings contributed toward community benefit	15,747	14,969
Net assets released from restrictions used for operations	22,549	21,773
Net assets released from restrictions used for research	92,264	86,661
Total revenues and other support without donor restrictions	2,395,163	2,290,391
Operating expenses:		
Compensation and benefits	1,443,706	1,371,884
Supplies and other expenses	614,464	550,884
Purchased services	159,535	144,526
Depreciation and amortization	89,494	87,099
Interest	8,879	9,863
License fees	102,100	95,229
Total operating expenses	2,418,178	2,259,485
(Loss) income from operations	(23,015)	30,906
Nonoperating gains and losses:		
Gifts and bequests without donor restrictions	3,280	3,647
Income from board-designated investments	2,741	2,385
Net realized gains on board-designated investments	3,923	6,608
Grants to outside agencies	—	(33)
Non-service periodic pension costs	(16,044)	(12,990)
Fundraising expenses	(5,203)	(4,800)
Other nonoperating losses, net	(620)	(1,922)
Total nonoperating losses, net	(11,923)	(7,105)
(Deficiency) excess of revenues over expenses	$ (34,938)	$ 23,801

(Continued)

LIFESPAN CORPORATION AND AFFILIATES

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

Years ended September 30, 2019 and 2018

(In thousands)

	2019	2018
Changes in net assets without donor restrictions:		
(Deficiency) excess of revenues over expenses	$ (34,938)	$ 23,801
Other changes in net assets without donor restrictions:		
Change in funded status of pension and other postretirement plans, other than net periodic pension and postretirement benefit costs	(67,166)	61,711
Net change in unrealized (losses) gains on investments available-for-sale	(16,446)	758
Net assets released from restrictions used for purchase of property and equipment	12,169	8,114
Other losses	(98)	—
(Decrease) increase in net assets without donor restrictions	(106,479)	94,384
Changes in net assets with donor restrictions:		
Gifts, grants, and bequests	120,543	112,307
Income from restricted endowment and other restricted investments	3,570	3,065
Net assets released from restrictions	(126,982)	(116,548)
Net realized and unrealized gains on investments	8,609	26,656
Fundraising expenses	(1,888)	(1,659)
Grants to outside agencies	(1,131)	(854)
Other decreases	(42)	(142)
Increase in net assets with donor restrictions	2,679	22,825
(Decrease) increase in net assets	(103,800)	117,209
Net assets, beginning of year	1,555,209	1,438,000
Net assets, end of year	$ 1,451,409	$ 1,555,209

See accompanying notes to consolidated financial statements.

LIFESPAN CORPORATION AND AFFILIATES

Consolidated Statements of Cash Flows

Years ended September 30, 2019 and 2018

(In thousands)

	2019	2018
Cash flows from operating activities:		
(Decrease) increase in net assets	$ (103,800)	$ 117,209
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities:		
Change in funded status of pension and other postretirement plans, other than net periodic pension and postretirement benefit costs	67,166	(61,711)
Net realized and unrealized losses (gains) on investments	3,914	(34,022)
Depreciation and amortization	89,494	87,099
Provision for estimated self-insurance costs	207,405	201,260
Decrease in liabilities for estimated self-insurance costs resulting from claims paid	(200,369)	(184,527)
(Increase) decrease in patient accounts receivable	(35,070)	3,678
Increase in accounts payable	40,725	3,764
Increase in accrued employee benefits and compensation	8,679	8,127
Decrease in estimated third-party payor settlements	(573)	(9,807)
Decrease in all other current and noncurrent assets and liabilities, net	(11,020)	(39,437)
Net cash provided by operating activities	66,551	91,633
Cash flows from investing activities:		
Purchase of property and equipment	(92,568)	(75,176)
Purchases of assets limited as to use	(1,122,442)	(1,085,447)
Proceeds from sales of assets limited as to use	1,150,412	1,093,052
Other net decreases in assets limited as to use	2,935	4,310
Net cash used in investing activities	(61,663)	(63,261)
Cash flows from financing activities:		
Proceeds from (payments on) revolving credit loan payable	20,000	(1,000)
Payments on long-term debt	(21,685)	(20,989)
Net cash used in financing activities	(1,685)	(21,989)
Net increase in cash and cash equivalents	3,203	6,383
Cash and cash equivalents at:		
Beginning of year	115,472	109,089
End of year	$ 118,675	$ 115,472
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 12,664	$ 13,441

See accompanying notes to consolidated financial statements.

LIFESPAN CORPORATION AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

(In thousands)

(1) Description of Organization

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

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

Affiliated corporations of Lifespan Corp. are as follows:

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

LIFESPAN CORPORATION AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

(In thousands)

(1) Description of Organization (continued)

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

LIFESPAN CORPORATION AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

(In thousands)

(2) Charity Care and Other Community Benefits

The total net cost of charity care and other community benefits provided by Lifespan for the years ended September 30, 2019 and 2018 is summarized in the following table:

	2019	2018
Charity care	$ 28,472	$ 26,677
Medical education, net	71,646	67,188
Research	15,601	14,404
Subsidized health services	31,159	31,375
Unreimbursed Medicaid costs	100,429	83,880
Community health improvement services and community benefit operations	1,804	1,916
Total	$ 249,111	$ 225,440

Charity Care

Lifespan provides full charity care for individuals at or below twice the federal poverty level, with a sliding scale for individuals based upon the federal poverty level guidelines, as set by the Department of Health and Human Services. In addition, a substantial discount consistent with Medicare program reimbursement is offered to all other uninsured patients. Lifespan determines the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including compensation and benefits, supplies, and other operating expenses, based on data from its costing system. The total cost, excluding medical education and research, incurred by Lifespan to provide charity care amounted to $28,472 and $26,677 in 2019 and 2018, respectively. Charges forgone, based on established rates, amounted to $99,969 and $92,789 in 2019 and 2018, respectively.

(Continued)

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

Medical Education

Lifespan provides the setting for and substantially supports medical education in various clinical training and nursing programs. The total cost of medical education provided by Lifespan exceeded the reimbursement received from third-party payors by $71,646 and $67,188 in 2019 and 2018, respectively. In 1969, RIH, TMH, Bradley, and certain other Rhode Island hospitals entered into an affiliation agreement to participate jointly in various clinical training programs and research activities with Brown Medical School, renamed The Warren Alpert Medical School of Brown University (Brown). In 2010, Brown named RIH its Principal Teaching Hospital. TMH and Bradley continue to be designated as major teaching affiliates. The goals of the partnership are to facilitate the expansion of joint educational and research programs to enable competition both clinically and academically. RIH currently sponsors 50 graduate medical education programs accredited by or under the auspices of the Accreditation Council for Graduate Medical Education (ACGME), while also sponsoring another 35 hospital-approved residency and fellowship programs. RIH serves as the principal setting for these clinical training programs, which encompass the following disciplines: anesthesiology; internal medicine and medicine subspecialties, including hematology and oncology; orthopedics and orthopedic subspecialties; clinical neurosciences and related subspecialties; general surgery and surgical subspecialties; pediatrics and pediatric subspecialties, including hematology and oncology; dermatology; radiology and radiology subspecialties; pathology; child psychiatry; emergency medicine and emergency medicine subspecialties; dentistry; and medical physics. TMH participates in Brown programs in anesthesiology, internal medicine and medicine subspecialties, general surgery and surgical subspecialties, psychiatry, emergency medicine and emergency medicine subspecialties, orthopedics and orthopedic subspecialties, and dermatology. RIH and TMH provide stipends to residents and physician fellows while in training. Bradley participates in the Child and Adolescent Psychiatry Fellowship as well as the Triple Board Residency Program (Pediatrics/Psychiatry/Child and Adolescent Psychiatry).

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

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

(Continued)

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

Medical Education (continued)

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

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

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

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

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

Medical Education (continued)

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

Research

Lifespan conducts extensive medical research, with RIH and TMH in the forefront of biomedical health care delivery research and among the leaders nationally in the National Institutes of Health programs. Lifespan also sponsors a significant level of these research activities, as indicated in the table on page 9.

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

Subsidized Health Services

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

Unreimbursed Medicaid Costs

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

(Continued)

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

Community Health Improvement Services and Community Benefit Operations

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

(3) Summary of Significant Accounting Policies

(a) Basis of Presentation

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

Lifespan considers events and transactions that occur after the consolidated statement of financial position date, but before the consolidated financial statements are issued, to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. These consolidated financial statements were issued on February 21, 2020 and subsequent events have been evaluated through that date.

On February 6, 2020, Lifespan Corp. signed a nonbinding letter of intent to pursue an affiliation with Coastal Medical, Inc., a Rhode Island independent primary care provider. A definitive agreement is expected to be executed before September 30, 2020.

On December 4, 2019, Lifespan announced a voluntary early retirement program which is designed to provide salary and benefits continuation for approximately 400 eligible employees who may wish to retire. The cost of this program, which will be recorded in 2020, is not currently known.

(b) Accounting Pronouncements Adopted

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU establishes application guidance for determining the timing and amount of revenue recognition and became effective for Lifespan for the fiscal year ended September 30, 2019. Lifespan's adoption of the ASU did not materially change the timing or amount of revenue recognized. However, the ASU requires that patient service revenue be presented in the statement of operations and changes in net assets at the transaction price, i.e., net of any provision for bad debts. Previously, such revenues were presented net of contractual allowances before any provision for bad debts. Periods prior to adoption have been displayed to conform to the net presentation of a single patient service revenue total in the consolidated statement of operations and changes in net assets. Previously, the year ended September 30, 2018 included patient service revenue, net of contractual allowances, of $2,098,832, provision for bad debts of $60,925, and net patient service revenue of $2,037,907.

(Continued)

(3) Summary of Significant Accounting Policies (continued)

(b) Accounting Pronouncements Adopted (continued)

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. In fiscal year 2019, Lifespan retrospectively adopted ASU 2016-14, which is principally intended to improve the presentation of net asset classifications along with liquidity and financial performance information presented in the financial statements and notes. The primary changes affecting Lifespan include: presentation of two classes of net assets versus the previously required three net asset classes; enhanced disclosures for board-designated investments, composition of net assets without donor restrictions, and liquidity (Note 6); and disclosure of expenses by both their natural and functional classifications in a matrix format (Note 20). As a result of adopting this ASU, certain prior year amounts have been reclassified.

In March 2017, the FASB issued ASU No. 2017-07, *Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. ASU No. 2017-07 is intended to improve the presentation of net periodic pension cost by requiring, among other things, that the service cost component be reported as part of compensation and benefits within operating expenses. Additionally, the other components of net periodic pension cost are required to be presented in the statement of operations and changes in net assets separately from the service cost component and outside the subtotal of income from operations. These changes have been applied retrospectively in the 2018 consolidated statement of operations and changes in net assets by reclassifying $12,990 of non-service periodic pension costs from compensation and benefits to nonoperating gains and losses.

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The new ASU is intended to assist entities in: (1) evaluating whether transactions should be accounted for as contributions (nonexchange transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange transactions subject to other guidance and (2) determining whether a contribution is conditional. The ASU clarifies that a contribution is conditional if the agreement includes one or more barriers that must be overcome for the recipient to be entitled to the assets transferred and a right of return for the transferred assets or a right of release of the promisor's obligation to transfer assets. The ASU became effective for Lifespan for the fiscal year ended September 30, 2019. Lifespan's adoption of the ASU on a modified prospective basis did not have a material effect on its consolidated financial statements.

(c) Use of Estimates

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

(d) Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid debt instruments with maturities of three months or less when purchased, excluding amounts limited as to use by board-designation or other arrangements under trust agreements.

(In thousands)

(3) Summary of Significant Accounting Policies (continued)

(e) Patient Accounts Receivable

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

The following table reflects an approximate percentage breakdown of patient accounts receivable from third-party payors, government subsidies, and others (including uninsured patients) as of September 30, 2019 and 2018:

	2019	2018
Medicare and Senior Care	28%	31%
Blue Cross	16%	15%
Medicaid and RIte Care	24%	23%
Managed care	6%	6%
Commercial, self-pay, and other	26%	25%
	100%	100%

(3) Summary of Significant Accounting Policies (continued)

(f) Investments and Investment Income

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

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

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

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

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

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

Corporate equity securities: Valued at the closing prices reported by an active market in which the individual securities are traded. These investments are designated by Lifespan as trading securities.

Collective investment funds: Investments in collective investment funds with monthly pricing and liquidity are valued using NAV as reported by the investment manager, which approximates the market values of the underlying investments within the fund or realizable values as estimated by the investment manager. Otherwise, such investments are recorded at historical cost. Lifespan owns interests in collective investment funds that are generally reported at the NAV reported by the fund managers, unless the fund has a readily determinable fair value which is used as a practical expedient to estimate the fair value of Lifespan's interest therein. Such valuations are determined by fund managers and generally consider variables such as operating results, comparable earnings multiples, projected cash flows, recent sales prices, and other pertinent information, and may reflect discounts for the illiquid nature of certain investments held. As of September 30, 2019 and 2018, Lifespan had no plans or intentions to sell investments at amounts different from NAV.

(Continued)

(3) Summary of Significant Accounting Policies (continued)

(f) Investments and Investment Income (continued)

Investments of less than 5% in limited partnerships are recorded at historical cost. Investments of 5% or more in limited partnerships, limited liability corporations, or similar investments are accounted for using the equity method.

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

Investments designated by Lifespan as trading securities are reported at fair value, with gains or losses resulting from changes in fair value recognized in the consolidated statements of operations and changes in net assets as realized gains or losses on investments. For investment securities other than trading, a decline in the market value of the security below its cost that is designated to be other than temporary is recognized through an impairment charge classified as a realized loss, and a new cost basis is established.

Investment income or loss (including realized gains and losses on investments, interest, and dividends) is included in the (deficiency) excess of revenues over expenses unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments other than those designated as trading securities are excluded from the (deficiency) excess of revenues over expenses.

Realized gains or losses on sales of investments are determined by the average cost method. Realized gains or losses on unrestricted investments are recorded as nonoperating gains or losses; realized gains or losses on restricted investments are recorded as an addition to or deduction from net assets with donor restrictions.

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

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

(g) Assets Limited as to Use

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

(3) Summary of Significant Accounting Policies (continued)

(h) Property and Equipment

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

(i) Classification of Net Assets

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

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

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

> *Net assets with donor restrictions* contain grantor or donor-imposed stipulations that are more specific than broad limits resulting from a not-for-profit's nature in which it operates. Some donors impose restrictions that are temporary in nature, for example, stipulating that resources be used only after a specific date, for particular purposes, including research activities, or to acquire buildings and equipment. Other donors impose restrictions that are perpetual in nature, for example, donor-restricted endowment funds stipulating that resources be maintained in perpetuity.
>
> *Net assets without donor restrictions* contain no donor-imposed restrictions and are available for the general operations of Lifespan. Such net assets may be designated by Lifespan for specific purposes, including functioning as endowment funds.

See note 5 for more information about Lifespan's endowment.

(j) (Deficiency) Excess of Revenues over Expenses

The consolidated statements of operations and changes in net assets include (deficiency) excess of revenues over expenses. Changes in net assets without donor restrictions which are excluded from (deficiency) excess of revenues over expenses, consistent with industry practice, include the change in the funded status of pension and other postretirement plans, the net change in unrealized (losses) gains on investments available-for-sale, and net assets released from restrictions used for purchase of property and equipment.

(3) Summary of Significant Accounting Policies (continued)

(k) Patient Service Revenue

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

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

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

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

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

(In thousands)

(3) Summary of Significant Accounting Policies (continued)

(k) Patient Service Revenue (continued)

Consistent with Lifespan's mission, care is provided to patients regardless of their ability to pay. Lifespan has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances (e.g., copays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts Lifespan expects to collect based on its collection history with those patients. Patients who meet Lifespan's criteria for charity care are provided care without charge or at amounts less than established rates. Lifespan has determined that it has provided sufficient implicit price concessions for these accounts. Price concessions, including charity care, are not reported as patient service revenue (see note 2).

The following table reflects patient service revenue from third-party payors, government subsidies, and others (including uninsured patients) for the years ended September 30, 2019 and 2018:

	2019	2018
Medicare and Senior Care	$ 734,884	$ 727,301
Blue Cross	437,236	428,753
Medicaid and RIte Care	546,778	499,983
Managed Care	320,353	298,018
Commercial, self-pay, and other	68,965	83,852
Total patient service revenue	$ 2,108,216	$ 2,037,907

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

(l) Other Revenues

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

(m) Research Grants and Contracts

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

(3) Summary of Significant Accounting Policies (continued)

(n) Charity Care

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

(o) Donor-Restricted Gifts

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

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

(p) Inventories

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

(q) Estimated Self-Insurance Costs

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

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

(3) Summary of Significant Accounting Policies (continued)

(r) Fair Value of Financial Instruments

The carrying amounts recorded in the consolidated statements of financial position for cash and cash equivalents, patient accounts receivable, contributions receivable, assets limited as to use, accounts payable, accrued expenses, revolving credit loan payable, estimated third-party payor settlements, and estimated self-insurance costs approximate their respective fair values. The estimated fair values of Lifespan's assets limited as to use and pension-related assets are disclosed in notes 5 and 9, respectively.

(s) Accounting Pronouncements Not Yet Adopted

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (*Topic 842*), which will require lessees to recognize most leases in the statement of financial position, increasing reported assets and liabilities. This update was developed to provide financial statement users with more information about an entity's leasing activities and will require changes in processes and internal controls. The adoption of ASU 2016-02 is effective for Lifespan's fiscal year beginning October 1, 2019. Lifespan is currently assessing the effect of the adoption of ASU 2016-02, which is expected to have a significant impact on its financial position but limited impact on its results of operations.

In January 2016, the FASB issued ASU No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities* (*Topic 825*), which updates certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The adoption of ASU 2016-01 is effective for Lifespan's fiscal year beginning October 1, 2019. Lifespan is currently evaluating the impact of ASU 2016-01 on its consolidated financial statements.

(t) Reclassifications

Certain 2018 amounts have been reclassified to conform to the 2019 reporting format.

LIFESPAN CORPORATION AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

(In thousands)

(4) Disproportionate Share

RIH, TMH, and NH (the Hospitals) are participants in the State of Rhode Island's Disproportionate Share Program, established in 1995 to assist hospitals which provide a disproportionate amount of uncompensated care. Under the program, Rhode Island hospitals, including the Hospitals, receive federal and state Medicaid funds as additional reimbursement for treating a disproportionate share of low-income patients. Total payments to the Hospitals under the Disproportionate Share Program aggregated $74,313 and $63,424 in 2019 and 2018, respectively, and are reflected as part of patient service revenue in the accompanying consolidated statements of operations and changes in net assets.

For periods beyond 2020, the federal government is scheduled to reduce the level of federal matching funds for the Disproportionate Share Program. Accordingly, it may be necessary for the State of Rhode Island to modify the program and the reimbursement to Rhode Island hospitals under the program. At this time, the scope of such modifications or their effect on the Hospitals cannot be reasonably determined.

(5) Investments

The composition of assets limited as to use at September 30, 2019 and 2018 is set forth in the following table:

		2019		2018
Funds available for self-insurance liabilities	$	159,472	$	162,508
Investments without donor restrictions		496,131		525,331
Investments with donor restrictions		541,399		543,982
Total	$	1,197,002	$	1,231,821

Assets limited as to use at September 30 are classified as follows:

		2019		2018
Available-for-sale	$	819,404	$	776,149
Trading		377,598		455,672
Total	$	1,197,002	$	1,231,821

Assets limited as to use are classified as trading securities if the buy/sell decision with respect to each portfolio security is the responsibility of an external investment manager. All other assets limited as to use are classified as available-for-sale securities.

(Continued)

LIFESPAN CORPORATION AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

(In thousands)

(5) Investments (continued)

Fair Value

The following tables summarize Lifespan's investments and assets held in trust by major category within the ASC 820-10 fair value hierarchy as of September 30, 2019 and 2018, as well as related strategy and liquidity/notice requirements:

	2019 Level 1	2019 Level 2	2019 Level 3	2019 Total	Redemption frequency	Days' notice
U.S. equities:						
Large cap value	$ 96,483	$ —	$ —	$ 96,483	Daily	One
Mid-cap value	23,355	—	—	23,355	Daily	One
Large cap growth	105,597	—	—	105,597	Daily	One
International equities:						
Developed markets	1,084	79,392	—	80,476	Daily - Monthly	One - Thirty
Emerging markets	18,750	—	—	18,750	Daily	One
Commodities:						
Energy	12,167	—	—	12,167	Daily	One
Various	14,364	—	—	14,364	Daily	One
Real estate	—	22,496	—	22,496	Monthly	Sixteen
Fixed income:						
U.S. Treasuries	51,765	—	—	51,765	Daily	One
U.S. Treasury inflation-protected	—	19,981	—	19,981	Daily	Two
U.S. Government and agency	61,218	29,287	—	90,505	Daily	One
Domestic bonds	54,015	114,817	—	168,832	Daily	One
Cash and short-term investments	20,604	—	—	20,604	Daily	One
	459,402	265,973	—	725,375		
Assets held in trust (note 7)	—	—	68,969	68,969	Illiquid	N/A
Total	$ 459,402	$ 265,973	$ 68,969	$ 794,344		

	2018 Level 1	2018 Level 2	2018 Level 3	2018 Total	Redemption frequency	Days' notice
U.S. equities:						
Large cap value	$ 48,729	$ —	$ —	$ 48,729	Daily	One
Mid-cap value	53,517	—	—	53,517	Daily	One
Large cap growth	148,455	—	—	148,455	Daily	One
International equities:						
Developed markets	922	81,639	—	82,561	Daily - Monthly	One - Thirty-one
Emerging markets	1,602	—	—	1,602	Daily	One
Commodities:						
Energy	17,804	—	—	17,804	Daily	One
Various	14,838	—	—	14,838	Daily	One
Real estate	—	19,853	—	19,853	Monthly	Sixteen
Fixed income:						
U.S. Treasuries	55,597	—	—	55,597	Daily	One
U.S. Treasury inflation-protected	—	18,664	—	18,664	Daily	Two
U.S. Government and agency	92,132	30,511	—	122,643	Daily	One
Domestic bonds	—	120,271	—	120,271	Daily	One
Cash and short-term investments	12,417	—	—	12,417	Daily	One
	446,013	270,938	—	716,951		
Assets held in trust (note 7)	—	—	70,428	70,428	Illiquid	N/A
Total	$ 446,013	$ 270,938	$ 70,428	$ 787,379		

(Continued)

(In thousands)

(5) Investments (continued)

The following tables reconcile investments in certain funds measured at NAV or its equivalent as a practical expedient to investments reported in the consolidated statements of financial position as of September 30, 2019 and 2018:

		2019	Redemption frequency	Days' notice
U.S. equity:				
Large cap growth	$	45,503	Monthly	Fourteen
Marketable alternatives:				
Multiple strategies		33,795	Quarterly - Annually	Sixty - Ninety
Long-short equity		20,391	Monthly	Sixty
Absolute return strategies		133,649	Semi-monthly - Annually	Fifteen- Ninety
Absolute return strategies		4,089	Illiquid	N/A
International equities:				
Developed markets		59,847	Monthly	Ten - Thirty
Emerging markets		35,235	Monthly	Twenty
Total investments measured at NAV		332,509		
All other investments		794,344		
Total investments	$	1,126,853		

		2018	Redemption frequency	Days' notice
Marketable alternatives:				
Multiple strategies	$	59,428	Quarterly - Annually	Sixty - Ninety
Long-short equity		34,092	Monthly	Sixty
Absolute return strategies		155,923	Semi-monthly - Annually	Five - Ninety
Absolute return strategies		3,496	Illiquid	N/A
International equities:				
Developed markets		64,151	Monthly	Ten
Emerging markets		71,266	Monthly	Ten - Twenty
Total investments measured at NAV		388,356		
All other investments		787,379		
Total investments	$	1,175,735		

Investments of less than 5% in collective investment funds which do not have monthly pricing or liquidity are recorded at historical cost. Investments of less than 5% in limited partnerships are also recorded at historical cost. The aggregate historical cost of these investments, which is less than market value as reported by investment managers, amounted to $70,149 at September 30, 2019 and $56,086 at September 30, 2018.

There were no transfers between Level 1 and Level 2 fair value measurements during the years ended September 30, 2019 and 2018.

LIFESPAN CORPORATION AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

(In thousands)

(5) Investments (continued)

The following table presents Lifespan's activity for the years ended September 30, 2019 and 2018 for investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as defined in ASC 820-10:

	Assets held in trust	
	2019	2018
Fair value at October 1	$ 70,428	$ 67,086
Net unrealized (losses) gains	(1,459)	3,342
Fair value at September 30	$ 68,969	$ 70,428

Commitments

Venture capital, private equity, private credit, real estate, and energy investments are made through limited partnerships. Under the terms of these agreements, Lifespan is obligated to remit additional funding periodically as capital or liquidity calls are exercised by the manager. These partnerships have a limited existence, generally ten years, and such agreements may provide for annual extensions to dispose of portfolio positions and return capital to investors. However, depending on market conditions, the inability to execute the fund's strategy, and other factors, a manager may extend the terms of a fund beyond its originally anticipated existence or may wind the fund down prematurely. Lifespan cannot anticipate such changes because they are based on unforeseen events, but should they occur they may result in less liquidity or return from the investment than originally anticipated. As a result, the timing and amount of future capital or liquidity calls expected to be exercised in any future year is uncertain. The aggregate amount of unfunded commitments associated with the above-noted investment categories as of September 30, 2019 was $80,895.

Investments with Unrealized Losses

Information regarding investments with unrealized losses at September 30, 2019 and 2018 is presented below, segregated between those that have been in a continuous unrealized loss position for less than twelve months and those that have been in a continuous unrealized loss position for twelve or more months:

	Less than 12 months		12 months or longer		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
September 30, 2019:						
With and without donor restrictions:						
Collective investment funds	$ 66,730	$ 2,915	$ 9,260	$ 712	$ 75,990	$ 3,627
Total temporarily impaired securities	$ 66,730	$ 2,915	$ 9,260	$ 712	$ 75,990	$ 3,627

	Less than 12 months		12 months or longer		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
September 30, 2018:						
With and without donor restrictions:						
Collective investment funds	$ 101,821	$ 2,827	$ 82	$ 52	$ 101,903	$ 2,879
Total temporarily impaired securities	$ 101,821	$ 2,827	$ 82	$ 52	$ 101,903	$ 2,879

(In thousands)

(5) Investments (continued)

Investments with Unrealized Losses (continued)

Lifespan reviewed the above investments with unrealized losses and determined that no impairment was other than temporary. In the evaluation of whether an impairment is other than temporary, Lifespan considers the reasons for the impairment, its ability and intent to hold the investment until the market price recovers, the severity and duration of the impairment, current market conditions, and expected future performance.

Endowments

Lifespan's endowment consists of 496 individual funds established for a variety of purposes, including both donor-restricted endowment funds and funds designated by Lifespan to function as endowments. Investments associated with endowment funds, including funds designated by Lifespan to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

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

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

Endowment funds consist of the following at September 30, 2018:

	Without donor restrictions	With donor restrictions	Total
Endowment funds with donor restrictions	$ —	$ 543,982	$ 543,982
Internally board-designated endowment funds	525,331	—	525,331
Total endowment funds	$ 525,331	$ 543,982	$ 1,069,313

LIFESPAN CORPORATION AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

(In thousands)

(5) Investments (continued)

Endowments (continued)

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

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

Changes in endowment funds for the year ended September 30, 2018 are as follows:

	Without donor restrictions	With donor restrictions	Total
Endowment funds, October 1, 2017	$ 529,730	$ 523,200	$ 1,052,930
Interest, dividends, and net realized and unrealized gains	20,654	29,721	50,375
Cash gifts, grants, and bequests	3,647	110,264	113,911
Net assets released from restrictions	—	(116,548)	(116,548)
Withdrawals, net	(28,700)	—	(28,700)
Other decreases	—	(2,655)	(2,655)
Endowment funds, September 30, 2018	$ 525,331	$ 543,982	$ 1,069,313

(Continued)

(5) Investments (continued)

Endowments (continued)

(a) *Interpretation of Relevant Law*

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

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

(b) *Return Objectives and Risk Parameters*

Lifespan has created an investment policy for endowment assets with the objective of providing a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets, including both donor-restricted funds and unrestricted board-designated funds. Under this policy, as approved by Lifespan’s Investment Committee, the endowment assets are invested in a manner that is intended to produce results that exceed the total benchmark return over a full market cycle while assuming a moderate level of investment risk. Lifespan expects its endowment funds, over a full market cycle, to provide an average annual real rate of return of approximately 5% plus inflation annually. Actual returns in any given year or period of years may vary from this amount.

(c) *Strategies Employed for Achieving Objectives*

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

(In thousands)

(5) Investments (continued)

Endowments (continued)

(d) *Spending Policy*

Lifespan invests its endowment funds in accordance with the total return concept. Applicable endowments include unrestricted board-designated endowment funds and donor-restricted endowment funds. The governing Boards of certain Lifespan affiliates have approved an endowment spending rate of 4% based on all the above factors. This spending rate is applied to the average fair value of the applicable endowments for the immediately preceding three years.

(6) Liquidity and Availability of Resources

As of September 30, 2019, unrestricted financial assets consist of the following:

Cash and cash equivalents	$	118,675
Patient accounts receivable		238,369
Other receivables		29,219
Total financial assets available within one year	$	386,263

Lifespan manages its financial assets to be available as its operating expenditures, liabilities, and other obligations come due. In addition, Lifespan invests cash in excess of daily requirements in short-term investments. Lifespan has $46,614 in investment funds available for current professional liability/medical malpractice, workers' compensation, and other self-insurance liabilities expected to be paid within one year. Additionally, Lifespan has board-designated endowments of $496,131 as of September 30, 2019. Although Lifespan does not intend to spend from its board-designated endowment funds, other than amounts appropriated for general expenditures, as part of its annual budget approval and appropriation process, amounts from its board-designated endowments could be made available if necessary. However, both board-designated funds and donor-restricted endowment funds contain investments with liquidity constraints, of which $433,045 can be liquidated on a daily to quarterly basis (refer to note 5 for disclosures about investments).

(7) Assets Held in Trust

Certain Lifespan affiliates (Bradley, RIH, and NH) are beneficiaries of various irrevocable charitable and split-interest trusts. The fair market value of these investments at September 30, 2019 and 2018 was $68,969 and $70,428, respectively, and is reported as donor-restricted funds held in perpetuity within assets limited as to use in the consolidated statements of financial position.

LIFESPAN CORPORATION AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

(In thousands)

(8) Property and Equipment

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

	2019	2018
Land and improvements	$ 48,870	$ 48,091
Buildings and improvements	1,271,087	1,236,924
Equipment	770,350	721,633
	2,090,307	2,006,648
Less accumulated depreciation and amortization	1,275,078	1,191,935
	815,229	814,713
Construction in progress	25,289	22,731
Property and equipment, net	$ 840,518	$ 837,444

Depreciation and amortization expense for the years ended September 30, 2019 and 2018 amounted to $89,494 and $87,099, respectively.

The estimated capital expenditures needed to complete both active construction in progress and projects not yet started but committed to under noncancelable contracts totaled $27,300 at September 30, 2019, comprised principally of RIH ($14,700), TMH ($5,400), NH ($4,600), and LPG ($2,100).

(Continued)

(9) Pension and Other Postretirement Benefits

Pension Benefits

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

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

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

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

(9) Pension and Other Postretirement Benefits (continued)

Plan Amendments

Effective December 31, 2017, the Plan was amended to cease all future participation and benefit accruals for pay periods ending after December 23, 2017 for those employees whose terms and conditions of employment are not covered by a collective bargaining agreement. Lifespan remeasured the Plan's assets and liabilities at the amendment date, based on assumptions and market conditions as of that date. All previously eligible employees, as well as new employees whose terms and conditions of employment are not covered by a collective bargaining agreement, became eligible to participate prospectively in a newly formed defined contribution plan, the Lifespan 401(k) Retirement Savings Plan (the 401(k) Retirement Savings Plan), which includes an automatic Lifespan matching contribution based on the salary deferral elections of participants up to a maximum of 6% of eligible base pay. Lifespan's matching contribution charged to expense amounted to $29,531 in 2019 and $21,826 in 2018, respectively.

Effective as of April 1, 2018, the accounts of each active nonunion Plan participant invested in a Choice Matched Retirement Savings Account were merged into the 401(k) Retirement Savings Plan. Merged accounts were administered in accordance with the Plan on and after April 1, 2018, including the allocation of investment earnings, gains, and losses until the merged accounts were physically transferred to the 401(k) Retirement Savings Plan. On April 20, 2018, $64,812 of the Plan's net assets available for benefits were merged into the 401(k) Retirement Savings Plan.

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

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

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

(In thousands)

(9) Pension and Other Postretirement Benefits (continued)

The provisions of FASB ASC Topic 715*, Compensation-Retirement Benefits: Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans* (ASC 715), require an employer to recognize in its statement of financial position an asset for a benefit plan's overfunded status or a liability for a plan's underfunded status, and to recognize changes in that funded status in the year in which the changes occur through changes in net assets without donor restrictions. The funded-status amount is measured as the difference between the fair value of plan assets and the projected benefit obligation including all actuarial gains and losses and prior service cost. Based on September 30, 2019 and 2018 funded-status amounts for the Plan, Lifespan recorded a decrease in net assets without donor restrictions of $65,313 in 2019 and an increase in net assets without donor restrictions of $61,545 in 2018.

The estimated amounts that will be amortized from net assets without restrictions into net periodic pension cost in 2020 are as follows:

Net actuarial loss	$	19,122
Prior service cost		10
	$	19,132

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

		2019		2018
Change in projected benefit obligation:				
Projected benefit obligation at beginning of year	$	684,668	$	808,727
Service cost		10,320		16,133
Interest cost		27,606		28,871
Plan merger to 401(k) Retirement Savings Plan		—		(64,812)
Effect of plan amendment		(1,793)		(38,540)
Actuarial loss (gain)		72,763		(22,942)
Benefits paid		(43,361)		(42,769)
Projected benefit obligation at end of year	$	750,203	$	684,668

The accumulated benefit obligation at the end of 2019 and 2018 was $718,346 and $655,532, respectively.

		2019		2018
Change in plan assets:				
Fair value of plan assets at beginning of year	$	496,145	$	544,339
Actual return on plan assets		17,219		15,944
Employer contributions		29,927		43,443
Plan merger to 401(k) Retirement Savings Plan		—		(64,812)
Benefits paid		(43,361)		(42,769)
Fair value of plan assets at end of year	$	499,930	$	496,145

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September 30, 2019 and 2018

(In thousands)

(9) Pension and Other Postretirement Benefits (continued)

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

	2019	2018
Funded status, end of year:		
Fair value of plan assets	$ 499,930	$ 496,145
Projected benefit obligation	750,203	684,668
Accrued pension liability	$ (250,273)	$ (188,523)

	2019	2018
Amounts not yet reflected in net periodic pension cost and included in net assets without donor restrictions:		
Prior service cost	$ (105)	$ (115)
Accumulated net actuarial loss	(229,457)	(164,134)
Amounts not yet recognized as a component of net periodic pension cost	(229,562)	(164,249)
Accumulated net periodic pension cost in excess of employer contributions	(20,711)	(24,274)
Net amount recognized	$ (250,273)	$ (188,523)

	2019	2018
Sources of change in net assets without donor restrictions:		
Net (loss) gain arising during the year	$ (78,777)	$ 47,082
Amortizations:		
Net actuarial loss	13,454	16,387
Prior service cost (benefit)	10	(1,924)
Total net assets without donor restrictions (loss) gain recognized during the year	$ (65,313)	$ 61,545

(Continued)

LIFESPAN CORPORATION AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

(In thousands)

(9) Pension and Other Postretirement Benefits (continued)

Net Periodic Pension Cost

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

	2019	2018
Service cost, included in compensation and benefits	$ 10,320	$ 16,133
Non-service periodic pension costs:		
Interest cost	27,606	28,871
Expected return on plan assets	(25,026)	(30,344)
Amortization of net actuarial loss	13,454	16,387
Effect of plan amendment	—	(1,736)
Amortization of prior service cost (benefit)	10	(188)
Total non-service periodic pension costs	16,044	12,990
Net periodic pension cost	$ 26,364	$ 29,123

Lifespan recognized a gain of $1,736 in 2018 resulting from the accelerated amortization of a remaining unamortized prior service credit related to a prior year plan amendment.

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

	2019	2018
Discount rate for benefit obligations	3.16%	4.31%
Discount rate for net periodic pension cost	4.31%	3.66%
Rate of compensation increase	4.50%	4.50%
Expected long-term rate of return on Plan assets	7.00%	7.00%

LIFESPAN CORPORATION AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

(In thousands)

(9) Pension and Other Postretirement Benefits (continued)

Net Periodic Pension Cost (continued)

The asset allocation for the Plan at September 30, 2019 and 2018, and the target allocation for 2020, by asset category, are as follows:

Asset category	Target allocation 2020	Percentage of plan assets September 30 2019	2018
U.S. equities	22.0%	24.0%	21.0%
Marketable alternatives	20.0%	17.2	19.1
International equities	22.0%	20.9	23.8
Private equity/venture capital	-	0.1	0.1
Commodities	2.7%	1.7	2.3
Real estate	1.3%	1.5	1.4
Fixed income	30.0%	33.4	30.8
Cash and cash equivalents	2.0%	1.2	1.5
Total		100.0%	100.0%

The asset allocation table above does not include $55,912 and $59,486 of Plan assets at September 30, 2019 and 2018, respectively, attributable to the Choice Matched Retirement Savings Account balances of participants which are managed in various mutual funds by Fidelity Investments (Fidelity).

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

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

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

(Continued)

LIFESPAN CORPORATION AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

(In thousands)

(9) Pension and Other Postretirement Benefits (continued)

Fair Value

The following tables summarize the Plan's investments by major category within the ASC 820-10 fair value hierarchy as of September 30, 2019 and 2018, as well as related strategy and liquidity/notice requirements:

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

	2018			Redemption	Days'
	Level 1	Level 2	Total	frequency	notice
U.S. equities:					
Mid-cap value	$ 19,610	$ —	$ 19,610	Daily	One
Large cap growth	52,984	—	52,984	Daily	One
International equities:					
Developed markets	32,480	40,673	73,153	Daily - Monthly	One - Thirty-one
Commodities:					
Energy	5,019	—	5,019	Daily	One
Various	4,705	—	4,705	Daily	One
Real estate	—	5,571	5,571	Monthly	Sixteen
Fixed income:					
U.S. Treasuries	63,437	—	63,437	Daily	One
U.S. Government and agency	—	690	690	Daily	One
Domestic bonds	—	69,111	69,111	Daily	One
Cash and cash equivalents	8,839	—	8,839	Daily	One
Fidelity mutual funds	59,486	—	59,486	Daily	One
Total	$ 246,560	$ 116,045	$ 362,605		

There were no transfers between Level 1 and Level 2 fair value measurements during the years ended September 30, 2019 and 2018.

LIFESPAN CORPORATION AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

(In thousands)

(9) Pension and Other Postretirement Benefits (continued)

The following tables reconcile Plan investments in certain funds measured at NAV or its equivalent as a practical expedient to the total fair value of Plan assets as of September 30, 2019 and 2018:

	2019	Redemption frequency	Days' notice
U.S. equity:			
Large cap growth	$ 21,918	Monthly	Fourteen
Marketable alternatives:			
Multiple strategies	10,438	Quarterly	Sixty - Ninety
Long-short equity	6,101	Monthly	Sixty
Absolute return strategies	60,405	Semi-monthly - Annually	Five - Ninety
Absolute return strategies	130	Illiquid	N/A
International equities:			
Developed markets	18,839	Monthly	Ten
Emerging markets	11,398	Monthly - Quarterly	Ten - Twenty
Venture capital	756	Illiquid	N/A
Total Plan investments measured at NAV	129,985		
All other Plan investments	369,945		
Total fair value of Plan assets	$ 499,930		

	2018	Redemption frequency	Days' notice
Marketable alternatives:			
Multiple strategies	$ 16,624	Quarterly	Sixty - Ninety
Long-short equity	8,480	Monthly	Sixty
Absolute return strategies	57,905	Semi-monthly - Annually	Five - Ninety
Absolute return strategies	505	Illiquid	N/A
International equities:			
Developed markets	20,709	Monthly	Ten
Emerging markets	28,122	Monthly - Quarterly	Ten - Twenty
Venture capital	1,195	Illiquid	N/A
Total Plan investments measured at NAV	133,540		
All other Plan investments	362,605		
Total fair value of Plan assets	$ 496,145		

(Continued)

(In thousands)

(9) Pension and Other Postretirement Benefits (continued)

Expected Cash Flows

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

Employer contributions:		
2020 (required)	$	48,388
Expected benefit payments:		
2020		81,013
2021		49,832
2022		41,280
2023		41,345
2024		40,783
2025 through 2029		202,714

Management evaluates its Plan assumptions annually and the expected employer contributions in 2020 could increase.

Other Postretirement Benefits

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

Lifespan recognizes in its consolidated statements of financial position an asset for a benefit plan's overfunded status or a liability for a plan's underfunded status and recognizes changes in that funded status in the year in which the changes occur through changes in net assets without donor restrictions. The funded-status amount is measured as the difference between the fair value of plan assets and the benefit obligation including all actuarial gains and losses and prior service cost. Based on September 30, 2019 and 2018 funded-status amounts for the postretirement benefit plan, Lifespan recorded a decrease in net assets without donor restrictions of $1,853 in 2019 and an increase in net assets without donor restrictions of $166 in 2018. Approximately $291 of net actuarial gain will be amortized from net assets without donor restrictions into net periodic postretirement benefit cost in 2020.

(In thousands)

(9) Pension and Other Postretirement Benefits (continued)

Benefit Obligations

	2019	2018
Change in accumulated postretirement benefit obligation:		
Accumulated postretirement benefit obligation at beginning of year	$ 13,146	$ 14,350
Service cost	110	138
Interest cost	490	399
Actuarial loss (gain)	1,253	(712)
Benefits paid	(1,268)	(1,029)
Accumulated postretirement benefit obligation at end of year	$ 13,731	$ 13,146

Funded Status

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

	2019	2018
Accumulated postretirement benefit obligation	$ 13,731	$ 13,146
Funded status	$ (13,731)	$ (13,146)
Accrued postretirement benefit cost recognized in the consolidated statements of financial position	$ 13,731	$ 13,146

(Continued)

LIFESPAN CORPORATION AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

(In thousands)

(9) Pension and Other Postretirement Benefits (continued)

Amounts recognized in the consolidated statements of financial position at September 30, 2019 and 2018 consist of:

	2019	2018
Accrued postretirement benefit cost:		
Current (included in accrued employee benefits and compensation)	$ 1,383	$ 1,081
Noncurrent (included in other liabilities)	12,348	12,065
Total accrued postretirement benefit cost	$ 13,731	$ 13,146

	2019	2018
Accumulated net actuarial gain not yet recognized as a component of net periodic postretirement benefit cost	$ 2,600	$ 4,453
Accumulated net periodic postretirement benefit cost	(16,331)	(17,599)
Net amount recognized	$ (13,731)	$ (13,146)

	2019	2018
Sources of change in net assets without donor restrictions:		
Net (loss) gain arising during the year	$ (1,253)	$ 712
Amortizations:		
Net actuarial gain	(600)	(546)
Total net assets without donor restrictions (loss) gain recognized during the year	$ (1,853)	$ 166

Net Periodic Postretirement (Benefit) Cost

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

	2019	2018
Service cost	$ 110	$ 138
Interest cost	490	399
Amortization of net actuarial gain	(600)	(546)
Net periodic postretirement (benefit)	$ —	$ (9)

(Continued)

LIFESPAN CORPORATION AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

(In thousands)

(9) Pension and Other Postretirement Benefits (continued)

Net Periodic Postretirement (Benefit) Cost (continued)

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

	2019	2018
Discount rate for benefit obligations	2.91%	4.18%
Discount rate for net periodic postretirement cost	4.18%	3.43%

Assumed Health Care Cost Trend Rates at September 30:

	2019	2018
Health care cost trend rate assumed for next year	5.78%	6.06%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	4.50%	4.50%
Year that the rate reaches the ultimate trend rate	2038	2038

Assumed health care cost trend rates have a significant effect on the amounts reported. A one-percentage-point change in assumed health care cost trend rates would have the following effects as of September 30, 2019:

	One-Percentage-Point Increase	One-Percentage-Point Decrease
Effect on total of service cost and interest cost	$ 46	$ (41)
Effect on accumulated postretirement benefit obligation	867	(768)

Expected Cash Flows

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

Expected benefit payments:	
2020	$ 1,383
2021	1,374
2022	1,381
2023	1,325
2024	1,242
2025 through 2029	5,010

(Continued)

(10) Estimated Self-Insurance Costs

Professional Liability/Medical Malpractice and General Liability

Professional liability/medical malpractice coverage for RIH, TMH, Bradley, NH, Gateway, and all other Lifespan affiliates is supplied on a claims-made basis by RISE, Lifespan's affiliated captive insurance company, which underwrites the medical malpractice risk of Lifespan (including a contractual commitment to indemnify LPG clinicians and certain eligible non-employed physicians). The adequacy of the coverage provided, and the funding levels, are reviewed annually by independent actuaries. The professional liability/medical malpractice insurance provided by RISE has liability limits of $8,000 per claim with no annual aggregate. In addition, $60,000 of commercial umbrella excess insurance has been obtained by Lifespan to increase the professional liability limits to $68,000 per claim. Lifespan contracts with various highly rated insurance carriers to mitigate the excess coverage risk. Also covered under the RISE professional liability/medical malpractice policy through contractual indemnification agreements are 675 LPG clinicians and 702 non-employed physicians. Each of these clinicians and physicians is provided with a $2,000 indemnification per claim and a $6,000 annual indemnification aggregate.

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

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

Workers' Compensation

Lifespan has recorded a provision for workers' compensation losses, based on actuarial studies and its own experience. The actuarial studies include an assumed inflation rate of 4%. The amounts accrued for estimated workers' compensation self-insurance costs at September 30, 2019 and 2018 have been discounted at 4%. Lifespan has a standby letter of credit of $10,000 through July 31, 2020 supporting the estimated unpaid liability.

(Continued)

(In thousands)

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

Medicare cost reports filed annually with The Centers for Medicare and Medicaid Services (CMS) are subject to audit prior to final settlement. The 2019 Medicare cost reports have not been filed and, therefore, are not settled.

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

	RIH	TMH	NH
2018	X	X	X
2017	X	X	X
2016	X	X	X
2015	X	X	

Regulations in effect require annual settlements based upon cost reports filed by the Lifespan hospitals. These settlements are estimated and recorded in the accompanying consolidated financial statements. Changes in these estimates are reflected in the consolidated financial statements in the year in which they occur. Patient service revenue in the accompanying consolidated statements of operations and changes in net assets was decreased by $58 in 2019 and increased by $7,645 in 2018 to reflect changes in the estimated settlements for certain prior years.

(12) Income Tax Status

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

Lifespan recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Recognized income tax positions are measured at the largest amount of benefit that is greater than fifty percent likely to be realized upon settlement. Changes in measurement are reflected in the period in which the change in judgment occurs. Lifespan did not recognize the effect of any income tax positions in either 2019 or 2018.

LIFESPAN CORPORATION AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

(In thousands)

(13) Long-Term Debt

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

	2019	2018
Hospital Financing Revenue fixed rate serial and term bonds due May 15, 2020 through 2039 in annual amounts ranging from $6,540 to $42,920 at rates ranging from 4% to 5% (2016 Series – Lifespan Obligated Group)	$ 225,610	$ 238,489
Master lease and loan and security agreement due December 14, 2019 through 2020 in semiannual amounts ranging from $3,735 to $3,766 at 1.66% (the 2013 Financing)	7,504	14,883
Private placement debt due July 1, 2020 through 2029 in annual amounts ranging from $1,262 to $1,629 at a fixed rate of 2.85% (2014 Series – NH)	14,390	15,618
Other long-term debt	6,433	6,647
Unamortized premium – 2016 Series	31,053	34,555
	284,990	310,192
Less current portion	22,506	21,700
Long-term debt, net of current portion	$ 262,484	$ 288,492

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

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

(13) Long-Term Debt (continued)

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

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

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

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

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

Lifespan's aggregate maturities of long-term debt for the five fiscal years ending in September 2024 are as follows: 2020, $22,506; 2021, $15,728; 2022, $16,478; 2023, $17,241; and 2024, $18,062.

(Continued)

LIFESPAN CORPORATION AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

(In thousands)

(14) Revolving Credit Loan Payable

The members of the Lifespan Obligated Group (OG) entered into a credit agreement, dated April 22, 2015 and most recently amended April 18, 2019, with Citizens Bank, N.A. for a line of credit facility up to a maximum principal amount of $20,000 to finance working capital requirements. Any principal outstanding bears interest per annum at 1.5% above the LIBOR Advantage rate. Interest is payable monthly, and all outstanding principal and any accrued and unpaid interest is due on the maturity date of April 16, 2020. At September 30, 2019, there was $20,000 outstanding under the facility at an interest rate per annum of 3.516%. The OG is required to comply with various affirmative and negative covenants as well as maintain certain financial targets and ratios during the term of the line of credit.

(15) Net Assets with Donor Restrictions

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

	2019	2018
General health care service activities	$ 434,370	$ 428,352
Property and equipment	47,283	51,486
Research	82,863	81,999
Total	$ 564,516	$ 561,837

(16) Leases

Lifespan leases building space and equipment under various noncancelable operating lease agreements. Future minimum lease payments, by year and in the aggregate, under noncancelable operating leases with terms of one year or more consist of the following at September 30, 2019:

	Amount
Year ending September 30:	
2020	$ 31,674
2021	26,835
2022	23,404
2023	17,529
2024	13,388
Thereafter	20,637
Total minimum lease payments	$ 133,467

Rental expense, including rentals under leases with terms of less than one year, for the years ended September 30, 2019 and 2018 was $32,910 and $29,417, respectively.

(17) Concentrations of Credit Risk

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

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

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

(18) Malpractice and Other Litigation

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

(19) License Fees

In 2019 and 2018, the State of Rhode Island assessed a license fee to all Rhode Island hospitals, based on each hospital's 2017 and 2016 net patient service revenue, respectively, as defined. The Hospitals' license fee expense was $102,100 in 2019 and $95,229 in 2018.

(In thousands)

(20) Functional Expenses

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

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

	2019			
	Health Care Services	Research	General and Administrative	Total
Compensation and benefits	$ 1,234,009	$ 56,117	$ 153,580	$ 1,443,706
Supplies and other expenses	515,279	47,351	51,834	614,464
Purchased services	138,549	4,396	16,590	159,535
Depreciation and amortization	76,924	3,462	9,108	89,494
Interest	8,701	-	178	8,879
License fees	102,100	-	-	102,100
	$ 2,075,562	$ 111,326	$ 231,290	$ 2,418,178

Operating expenses by nature and function are summarized as follows for the year ended September 30, 2018:

	2018			
	Health Care Services	Research	General and Administrative	Total
Compensation and benefits	$ 1,176,663	$ 54,673	$ 140,548	$ 1,371,884
Supplies and other expenses	461,583	42,167	47,134	550,884
Purchased services	128,266	4,225	12,035	144,526
Depreciation and amortization	75,441	3,365	8,293	87,099
Interest	9,257	-	606	9,863
License fees	95,229	-	-	95,229
	$ 1,946,439	$ 104,430	$ 208,616	$ 2,259,485

LIFESPAN CORPORATION AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

(In thousands)

(21) Promises to Give

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

	2019	2018
Capital campaigns	$ 10,867	$ 9,617
Other restricted	4,615	2,175
Unconditional promises to give before unamortized discount and allowance for uncollectibles	15,482	11,792
Less: unamortized discount at rates ranging from 1.6% to 3.0%	(505)	(533)
Subtotal	14,977	11,259
Less: allowance for uncollectibles	(300)	(254)
Net unconditional promises to give	$ 14,677	$ 11,005
Amounts due in:		
Less than one year	$ 5,304	$ 4,403
One to five years	10,131	7,319
More than five years	47	70
Total	$ 15,482	$ 11,792

Federal Grantor/Pass-through Grantor	Federal CFDA Number	Direct Award or Pass-through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Research and Development Cluster:				
Department of Defense:				
U.S. Army Medical Command	12.420	Direct	$ 478,536	$ 618,108
Passed Through:				
Columbia University	12.420	W81XWH-14-1-0591	-	0
Ocean State Research Institute, Inc.	12.420	W81XH-17-0619	-	96,360
American Burn Association	12.420	W81XWH-11-1-0835	-	4,446
Terumo BCT Biotechnologies, LLC	12.420	W81XWH-13-C-0160	-	40,178
Women & Infants Hospital of Rhode Island	12.420	W81XWH-14-1-0368	-	28,108
Johns Hopkins University	12.420	W81XWH-17-2-0032	-	3,000
Johns Hopkins University	12.420	W81XWH-10-2-0090	-	9,000
Uniform Services University of Health Sciences:				
Passed Through:				
Henry M. Jackson Foundation	12.750	HU0001-14-1-0061	-	76,375
Henry M. Jackson Foundation	12.750	HU0001-16-2-0006	-	29,752
Department of Justice:				
Passed Through:				
Amos House	16.182	USDOJ 2018-CY-BX-0010	-	11,994
State of Rhode Island	16.575	2016-VA-GX-0073	-	55,536
Department of Housing and Urban Development:				
Passed Through:				
Northeastern University	16.560	2014-MU-CX-4002	-	(1,972)
Department of Transportation:				
National Priority Safety Programs				
Passed Through:				
Rhode Island Department of Transportation	20.616	NHTSAM2CPS1601	-	83,473
Department of Health and Human Services:				
Centers for Disease Control	93.136	Direct	80,125	398,168
Centers for Disease Control	93.349	Direct	-	40,210
Centers for Disease Control	IPA6012	Direct	-	28,018
Passed Through:				
Rhode Island Department of Health	93.136	U17CE002740	-	96,480
Icahn School of Medicine at Mount Sinai	93.283	U01DP004785	-	(2,874)
National Institutes of Health	93.077	Direct	73,974	445,742
National Institutes of Health	93.110	Direct	152,094	455,699
National Institutes of Health	93.113	Direct	-	12,645
National Institutes of Health	93.127	Direct	-	12,463
National Institutes of Health	93.213	Direct	29,052	592,816
National Institutes of Health	93.226	Direct	13,700	45,646
National Institutes of Health	93.233	Direct	242,274	793,650
National Institutes of Health	93.242	Direct	1,696,065	6,727,254
National Institutes of Health	93.243	Direct	134,237	343,502
National Institutes of Health	93.273	Direct	466,448	1,864,382
National Institutes of Health	93.279	Direct	770,639	3,002,576
National Institutes of Health	93.307	Direct	130,408	548,406
National Institutes of Health	93.310	Direct	-	(19,113)
National Institutes of Health	93.361	Direct	426,461	642,394
National Institutes of Health	93.395	Direct	-	23,202
National Institutes of Health	93.396	Direct	-	54,311
National Institutes of Health	93.837	Direct	803,036	6,885,158
National Institutes of Health	93.838	Direct	175,036	885,703
National Institutes of Health	93.839	Direct	-	256,380
National Institutes of Health	93.846	Direct	432,606	1,667,779
National Institutes of Health	93.847	Direct	273,764	3,503,758
National Institutes of Health	93.853	Direct	370,374	1,032,500
National Institutes of Health	93.855	Direct	1,793,961	4,379,611
National Institutes of Health	93.859	Direct	2,741,301	9,325,255
National Institutes of Health	93.865	Direct	438,339	3,138,035
National Institutes of Health	93.866	Direct	-	175,784
National Institutes of Health	93.989	Direct	2,929	123,379
Passed Through:				
Boston Children's Hospital	93.080	NU27DD001155	-	22,403
Duke Clinical Research Institute	93.103	U18FD006298	-	1,995
Icahn School of Medicine at Mount Sinai	93.110	H30MC54048	-	19,379
Emory University School of Medicine	93.113	R24ES028507	-	225,000
Brown University	93.113	U01ES028184	-	55,473
J. Craig Venter Institute	93.113	R01ES0360227	-	92,092
Brown University	93.143	P42ES013660	3,590	41,371
University of Massachusetts	93.145	U10 HA29294	-	27,307
University of Massachusetts	93.145	U10 HA29294	-	29,993
University of Massachusetts	93.145	U10 HA29294	-	43,974
University of Massachusetts	93.145	U10HA29294	-	4,322
University of Massachusetts	93.145	U10HA29294	-	7,105
University of Massachusetts	93.145	U10HA29294	-	9,836
Family AIDS Center For Treatment	93.153	H12HA24854	-	46,390
University of Massachusetts	93.213	R01AT008393	-	168,798
Butler Hospital	93.213	R34AT009432	-	9,844
Brown University	93.213	R34AT010172	-	3,095
Brown University	93.213	R34AT009886	-	36,089
Boston Medical Center	93.226	R18HS024021	-	29,727
Yale University	93.226	R18HS023778	-	1,347
Virtually Better Inc.	93.242	R44MH102140	20,470	89,636
Brown University	93.242	R01MH110449	-	18,770
Yale University	93.242	P30MH062294	-	5,073
Emory University School of Medicine	93.242	R01MH111682	-	32,673
Brown University	93.242	R01MH112386	-	83,272
Butler Hospital	93.242	R01MH112674	-	101,764
Brown University	93.242	R01MH114843	-	12,977
Brown University	93.242	R25MH083620	-	17,772
Brown University	93.242	R25MH101076	-	20,429

(Continued)

Federal Grantor/Pass-through Grantor	Federal CFDA Number	Direct Award or Pass-through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Brown University	93.242	R34MH109371	-	25,389
Brown University	93.242	R34MH110369	-	55,716
Brown University	93.242	R34MH113484	-	28,547
Cincinnati Children's Hospital Medical Center	93.242	U01 MH104311	-	(2,920)
University of Michigan	93.242	U01 MH104311	-	37,108
University of North Carolina at Chapel Hill	93.242	U01 MH110925	-	42,997
University of North Carolina at Chapel Hill	93.242	U01 MH110925	-	109,486
University of Michigan	93.242	U01MH106660	-	9,422
University of Massachusetts Medical School	93.242	WA00504172	-	16,213
Brown University	93.242	R34MH117198	-	7,473
Brown University	93.242	R34MH115457	-	31,070
Brown University	93.242	R34MH114307	-	66,583
Brown University	93.242	R01MH117960	-	192,069
University of Michigan	93.242	U01MH104311	-	14,430
Brown University	93.273	P01AA019072	-	(12,592)
Brown University	93.273	P01AA019072	-	(363)
Brown University	93.273	P01AA019072	-	4
Brown University	93.273	P01AA019072	-	118,470
Brown University	93.273	R01AA020705	-	47,345
Butler Hospital	93.273	R01AA023726	-	35,283
Medical University of South Carolina	93.273	R34AA025691	-	25,548
Brown University	93.273	R21AA026740	-	2,771
Brown University	93.273	R01AA025456	-	4,621
Brown University	93.273	R21AA026740	-	12,133
Brown University	93.273	R01AA025456	-	16,323
Brown University	93.273	R34AA024703	-	25,830
Lehigh University	93.273	R34AA026032	-	25,644
Live Inspired, LLC	93.273	R42AA026788	-	137,851
University of Maryland Medical Center	93.279	DHHS-4618	-	(1,719)
Brigham & Women's Hospital	93.279	K24DA044858	-	18,406
Baystate Medical Center	93.279	R01DA038082	-	129
Baystate Medical Center	93.279	R01DA038082	-	123,764
Baystate Medical Center	93.279	R01DA038082	-	123,238
Yale University	93.279	R01DA041067	-	67,726
University of Massachusetts	93.279	R21DA046734	-	19,159
Brigham & Women's Hospital	93.279	R34DA045544	-	39,678
Brigham & Women's Hospital	93.279	R34DA045544	-	79,862
Brown University	93.279	R34DA039289	-	3,374
Brown University	93.279	R34DA042247	-	51,282
Live Inspired, LLC	93.279	R44DA041904	-	13,689
Beacon Tech, Inc. at Marigold Health	93.279	R41DA047837	-	15,433
Brigham & Women's Hospital	93.279	R01DA047236	-	6,116
Brown University	93.279	K01DA039311	-	3,050
Brown University	93.279	U01DA045514	-	21,375
Brown University	93.279	U01DA045514	-	38,742
Brown University	93.279	R01DA045396	-	40,230
National Development & Research Institutes, Inc.	93.279	R01DA046653	-	15,007
Rutgers, The State University of New Jersey	93.279	R21DA045182	-	2,046
University of Texas	93.279	R34DA041237	-	8,869
Live Inspired, LLC	93.279	R41DA046268A	-	64,661
Brown University	93.307	T37 MD008655	-	13,329
Johns Hopkins University	93.350	U24 TR001609	-	171,559
Boston University	93.350	UL1TR001430	-	3,666
Tufts University	93.350	P20GM103652	-	13,472
Dana Farber Cancer Institute	93.353	UM1CA233080	-	77,856
University of California at San Diego	93.361	R01NR011295	-	20,774
Butler Hospital	93.361	R01NR015977	-	125,958
Brown University	93.361	R01NR017098	-	18,178
Yale University	93.361	R21NR016352	-	27,248
Johns Hopkins University	93.365	U1EMC27864	-	38,141
American College of Radiology	93.394	U10CA180820	-	3,309
Brown University	93.394	R01CA159954	-	20,686
University of South Carolina	93.394	R01CA183849	-	44,192
Albert Einstein College of Medicine	93.394	R01CA218429	-	49,348
St. Joseph Hospital	93.394	R01CA221938	-	76,259
Brown University	93.394	R21CA224609	-	27,098
University of Alabama at Birmingham	93.395	R01CA174683	-	5,905
Weinberg Medical Physics, Inc.	93.395	R41CA213540	-	8,538
Oregon Health & Science University	93.395	U01CA180888	-	8,939
Indiana University	93.397	U54CA190151	-	26,158
Brown University	93.398	R01CA201262	-	12,041
American College of Emergency Physicians	93.639	1L1CMS331479	-	18,670
University of North Carolina at Chapel Hill	93.837	R01HL12214401	-	8,852
Ocean State Research Institute, Inc.	93.837	R01HL128661	-	11,916
University of Pennsylvania	93.837	R01HL134905	-	32,866
Brown University	93.837	R01HL135091	-	33,662
Hennepin Healthcare Research Institute	93.837	R01HL136327	-	69,565
University of Arizona	93.837	R01HL136603	-	(0)
Massachusetts General Hospital	93.837	R01HL137562	-	11,914
Ocean State Research Institute, Inc.	93.837	R01HL139795	-	39,389
Emory University School of Medicine	93.837	R34HL122557	-	(12,982)
Cincinnati Children's Hospital Medical Center	93.837	1 R24HL105333	-	293
Massachusetts General Hospital	93.837	U01 HL123336	-	58,421
Brigham & Women's Hospital	93.837	U01HL101422	-	9,253
Mayo Clinic	93.837	U01HL128606	-	24,869
Mayo Clinic	93.837	U01HL128606	-	31,608
Brown University	93.837	R01HL135200	-	31,444
Indiana University	93.837	R01HL136603	-	42,372
University of Minnesota	93.837	R01HL136757	-	24,139
University of Virginia	93.838	U01HL133708	-	38,942

(Continued)

Federal Grantor/Pass-through Grantor	Federal CFDA Number	Direct Award or Pass-through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Ocean State Research Institute, Inc.	93.838	R01HL148727	-	4,264
University of Kansas School of Medicine	93.838	R56HL141394	-	36,374
Brown University	93.839	U54GM115677	-	445
University of Rochester Medical Center	93.839	R01HL125265	-	125,573
Rutgers, The State University of New Jersey	93.839	U01HL133817	-	42,740
Rutgers, The State University of New Jersey	93.839	U01HL133817	-	36,725
Boston Medical Center	93.839	R01HL141774	-	1,445
Washington University School of Medicine	93.839	U01HL088476	-	1,344
Boston Children's Hospital	93.846	R34AR066631	-	3,985
Virginia Commonwealth University	93.847	R01DK103668	-	21,569
Temple University	93.847	R01DK108661	-	164,550
Sanford Research	93.847	R01DK112487	-	11,198
North Dakota State University	93.847	R01DK112585	-	11,885
Epivax Inc.	93.847	R43DK115365	-	17,467
Brigham & Women's Hospital	93.847	R01DK108438	-	609
Connecticut Children's Medical Center	93.847	12-179296-26	-	1,956
University of Connecticut	93.847	R01DK111232	-	123
University of Tennessee	93.847	R01DK121360	-	23,788
Virginia Tech	93.853	R01NS094410	-	114,222
Mayo Clinic	93.853	U01NS080168	-	23,671
University of Virginia	93.853	U01NS088034	-	48
Emory University School of Medicine	93.853	U24NS100673	-	5,348
University of Cincinnati	93.853	U01NS095869	-	3,783
University of Michigan	93.853	U01NS099046	-	76,790
Yale University	93.853	5U24NS107215	-	69,762
University of Alabama at Birmingham	93.855	HHSN272201100037C	-	5,202
University of Alabama at Birmingham	93.855	HHSN272201100037C	-	6,461
Shuttle Pharmaceuticals, LLC	93.855	HHSN261201400013C	-	23,695
University of Rhode Island	93.855	P01AI034533	-	(3,247)
Massachusetts Eye and Ear	93.855	P01AI083214	-	306,212
National Institute of Allergy and Infectious Diseases	93.855	P30AI042853	21,465	31,006
National Institute of Allergy and Infectious Diseases	93.855	P30AI042853	-	36,856
Brown University	93.855	R01AI108441	-	101,525
Brigham & Women's Hospital	93.855	R01AI108538	-	70,866
Indiana University	93.855	R01AI120792	-	187,988
Brown University	93.855	R01AI127699	-	92,862
AGA Research Foundation	93.855	R24AI118629	-	15,028
Brown University	93.855	R25AI140490	-	87,862
Massachusetts General Hospital	93.855	U01 AI069472	-	633,026
Indiana University	93.855	U01AI069911	-	18,307
Boston University	93.855	U19 AI096398	-	(1,189)
Oak Crest Institute of Science	93.855	U19AI113048	-	204,054
Johns Hopkins University	93.855	UM1A1068632	-	40,508
Duke University Medical Center	93.855	UM1AI104681	-	2,000
Johns Hopkins University	93.855	R01AI144997	-	101,885
Massachusetts General Hospital	93.855	R01AI123001	-	336
Temple University	93.855	R21AI131979	-	11,856
Universtiy of California, Los Angeles	93.855	UM1AI068636	-	45,468
Brown University	93.859	U54GM115677	-	51,725
Ocean State Research Institute, Inc.	93.859	P20GM103652	-	(559)
Rhode Island Center for Clinical and Translational Science	93.859	U54GM115677	-	290
Women & Infants Hospital of Rhode Island	93.859	P20GM121298	-	45,141
Ocean State Research Institute, Inc.	93.859	P20GM103652	-	(112)
University of Rhode Island	93.859	AWD05991	-	39,301
Ocean State Research Institute, Inc.	93.859	P20GM103652	-	(4,408)
Ocean State Research Institute, Inc.	93.859	P20GM103652	-	77,606
Ocean State Research Institute, Inc.	93.859	P20GM103652	-	107,254
Ocean State Research Institute, Inc.	93.859	P20GM103652	-	449,286
Women & Infants Hospital of Rhode Island	93.859	P20GM12198	-	(3,552)
Brown University	93.859	U54 GM115677	-	15,623
Brown University	93.859	U54 GM115677	-	109,797
Advance Clinical Translational Research (Advance-CTR)	93.859	U54GM115677	-	679
Advance Clinical Translational Research (Advance-CTR)	93.859	U54GM115677	-	7,569
Brown University	93.859	U54GM115677	-	77,464
Brown University	93.859	U54GM115677	-	10,329
Brown University	93.859	U54GM115677	-	11,157
Brown University	93.859	U54GM1156771	-	252
Brown University	93.859	U54GM115677	-	15,113
Brown University	93.859	U54GM115677	-	296,445
Brown University	93.859	U54GM115677	-	1,342
Brown University	93.859	U54GM115677	-	8,704
Brown University	93.859	U54GM115677	-	24,808
Brown University	93.859	U54GM115677	-	127,783
George Endowment at Rhode Island Hospital	93.859	P20GM119943	-	4,165
George Endowment at Rhode Island Hospital	93.859	P20GM119943	-	5,168
Ocean State Research Institute, Inc.	93.859	P20GM103652	-	5,805
Ocean State Research Institute, Inc.	93.859	P20GM103652	-	10,902
University of Rhode Island	93.859	P30GM103430	-	5,725
George Endowment at Rhode Island Hospital	93.859	P20GM119943	94,533	94,533
Northeastern University	93.865	R01HD080780	-	28,059
Brown University	93.865	R01HD086487	-	216,158
Brown University	93.865	HHSN275201500003I	-	(1,321)
Washington University School of Medicine	93.865	R01HD071915	-	(992)
Washington University School of Medicine	93.865	R01HD071915	-	1,004
Northeastern University	93.865	R01HD080780	-	216,262
California Polytechnic State University	93.865	R01HD084282	16,706	397,336
Brown University	93.865	R01HD092301	-	123,894
Columbia University	93.865	R21HD086448	-	38,469
University of Pennsylvania	93.865	R21HD091330	-	17,815
University of Michigan	93.865	R24 HD087149	-	31,659

Federal Grantor/Pass-through Grantor	Federal CFDA Number	Direct Award or Pass-through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Kent State University	93.865	R21HD098450	-	2,869
Kent State University	93.865	R21HD095099	-	23,909
Northeastern University	93.865	R01HD095932	-	51,952
University of North Carolina at Chapel Hill	93.865	U24HD089880	-	34,639
Wake Forest University	93.866	R01AG058571	-	109,919
Hebrew Rehabilitation Center	93.866	R37AG032982	-	56,908
University of Southern California	93.866	U19AG010483	-	4,306
University of Southern California	93.866	U19AG024904	-	125,255
Rhode Island Department of Health	93.940	NU62PS924548	-	307,349
Brown University	93.989	D43TW010565	-	12,621
Brown University	93.989	D43TW011317	-	16,537
National Science Foundation:				
Passed Through:				
University of Rhode Island	47.079	OIA-1539068	-	1,331
Total Expenditures of Research and Development Federal Awards			$ 11,882,122	$ 59,115,106
Child and Nutrition Cluster:				
Department of Agriculture:				
Food and Nutrition Services:				
Passed Through:				
Rhode Island Department of Education	10.553	1205620	$ -	$ 27,555
Rhode Island Department of Education	10.555	1205620	-	55,873
Rhode Island Department of Education	10.582	1205620	-	5,589
Food and Nutrition Services - Gateway:				
Passed through:				
Rhode Island Department of Education	10.555	Spon #28856	-	92,377
Total Expenditures of Child Nutrition Federal Awards			$ -	$ 181,394
Other Federal Awards:				
Department of Health and Human Services				
Centers for Disease Control:				
Passed Through:				
Rhode Island Department of Health	93.070	7137167	$ -	$ 14,365
Rhode Island Department of Health	93.977	H25 PS004357	-	56,915
Substance Abuse and Mental Health Services:	93.243	Direct	-	17,187
Passed Through:				
Rhode Island Department of Health	93.243	7127490	50,675	250,455
Rhode Island Department of Health	93.243	1H79SM062426	-	279,148
Health Resources and Services Administration	93.110	Direct	-	138,424
Health Resources and Services Administration:	93.918	Direct	-	840,035
Passed Through:				
Rhode Island Department of Health	93.870	X10MC9502	-	292,598
Rhode Island Department of Human Services	93.917	17-HIV-18-02	-	(42,829)
Rhode Island Department of Human Services	93.917	17-HIV-18-02	-	(11,828)
Rhode Island Department of Human Services	93.917	17-HIV-18-02	-	(10,919)
Rhode Island Department of Human Services	93.917	17-HIV-18-02	-	(10,312)
Rhode Island Department of Human Services	93.917	17-HIV-18-02	-	(17)
Administration for Children and Families:				
Passed Through:				
Rhode Island Department of Human Services	93.575	7127520	-	186,248
Centers for Medicare and Medicaid Services:				
Passed Through:				
State of Rhode Island	93.624	3480690	-	343,289
National Heart, Lung, and Blood Institute:				
Passed Through:				
Rhode Island Department of Education	93.838	IU01HL138677-01	-	32,386
National Institute of General Medical Sciences:	93.859	Direct	71,697	(37,914)
Passed Through:				
Brown University	93.859	U54GM115677-02	-	47,656
National Institutes of Health:				
Passed Through:				
Boston Medical Center	93.RD	7147082	-	4,064
Department of Health and Human Services – Gateway:				
Health Resources and Services Administration:				
Passed Through:				
The Autism Project	93.110	Award #H6MMC30383-01-00	-	556,538
Rhode Island Works Program	93.558	RIW 18-043	-	1,105,986
Rhode Island Behavioral Health	93.667	BHDDH	-	93,954
Administration for Community Living	93.044	Direct	-	63,079
Centers for Medicare and Medicaid Services – State Innovation Models:				
Passed Through:				
State of Rhode Island	93.624	SIMS	-	146,911
Substance Abuse and Mental Health Services	93.243	Direct	-	315,575
Substance Abuse and Mental Health Services:	93.788	Direct	-	6,035
Passed Through:				
Rhode Island Department of Health	93.243	H79SM080253	-	4,880
Rhode Island Department of Health	93.788	H79TI081701	-	21,895
Rhode Island Department of Health	93.788	H79T1081701	-	120,523
Department of Housing and Urban Development – Gateway:				
Office of Community Planning and Development:	14.218	Direct	-	40,649
Passed Through:				
City of Pawtucket, Rhode Island	14.218	CDBG grant award	-	5,000
City of Pawtucket, Rhode Island	14.218	Contract #699-39A	-	62,772
Rhode Island Housing Department	14.879	HUD MAINSTREAM	-	562,103
Department of Justice – Gateway:				
Office for Victims of Crime:				
Passed Through:				
Rhode Island Office for Victims of Crime	16.575	15-419-VOCA/15-420-VOCA	-	190,546

(Continued)

LIFESPAN CORPORATION AND AFFILIATES
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2019

Exhibit IV
Schedule 1

Federal Grantor/Pass-through Grantor	Federal CFDA Number	Direct Award or Pass-through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Department of Education – Gateway:				
Preschool Development Grants:				
Passed Through:				
Rhode Island Department of Education	84.419	S419B150033	-	441,478
Total Expenditures of Other Federal Awards			$ 122,372	$ 6,126,877
Total Expenditures of All Federal Awards			$ 12,004,494	$ 65,423,377

See accompanying independent auditors' report.

LIFESPAN CORPORATION AND AFFILIATES

Notes to Schedule of Expenditures of Federal Awards

Year Ended September 30, 2019

(1) Definition of Reporting Entity

The Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of all federal awards of Rhode Island Hospital (RIH), The Miriam Hospital (TMH), Emma Pendleton Bradley Hospital (EPBH), and Gateway Healthcare, Inc. (Gateway), which are included in Lifespan Corporation and Affiliates (Lifespan). All federal awards received directly from federal agencies, as well as federal awards passed through other agencies, are included on the Schedule.

(2) Summary of Significant Accounting Policies

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting.

(3) Indirect Costs

Indirect costs are charged to federal grants and contracts at federally approved predetermined rates for each applicable Lifespan affiliate. The predetermined rates for the year ended September 30, 2019 were 61.0%, 46.0%, and 31.4% for RIH, TMH, and EPBH, respectively. Indirect costs are included in reported federal expenditures. Lifespan has elected to not use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.